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ABSTRACT

This paper presents an overview of student financial aid in Washington State, reports trends in college costs and state population, and explores the relationship between student aid and broader higher education policies. Chapters include discussions on the following: (1) college costs and affordability; (2) tuition policy and its relationship to student aid; (3) the relationship of student aid to higher education policy; (4) descriptions of Washington State's Need Grant, Work Study, and Opportunity Grant programs; (5) funding formulas and models designed to ensure educational access and measure effort; (6) student financial aid and private institutions of higher education; (7) the importance of developing academic preparedness partnerships, including an example of a successful outreach model; and (8) the effect of student financial aid on academic persistence. The report concludes with a summary of policy recommendations for each financial aid program so that the state can address the future educational needs of its population with adequate funding levels. Appendices provide an outline of Washington State's Student Aid Policy Study and a summary of the state's student financial aid programs. (GLR)

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ED 365 231

A Commitment to Opportunity: Considerations for the 1990s

Student Financial Aid Policy Study
State of Washington

March, 1993

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Higher Education Coordinating Board
State of Washington

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A Commitment to Opportunity: Considerations for the 1990s

Student Financial Aid Policy Study
State of Washington

March, 1993

• *FINAL REPORT* •

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Higher Education Coordinating Board

The Higher Education Coordinating Board was established in 1986 to "provide planning, coordination, monitoring, and policy analysis for higher education in the state of Washington in cooperation and consultation with the institutions' autonomous governing boards and with all other sectors of postsecondary education. The legislature intends that the board represent the broad public interest above the interests of the individual colleges and universities." *RCW 28B.80.320*

The Board is also the state agency responsible for administering and coordinating the state's program of student financial aid and related policy, research, planning, and accountability functions. *RCW 28B.10.804*

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Preface

The Higher Education Coordinating Board (HECB) is responsible for planning and coordinating the state's system of higher education. The Board is also responsible for administering and coordinating the state's program of student financial aid and for performing related functions of research, policy development, and accountability. This paper explores the relationship between student aid and broader higher education policies, and makes recommendations concerning student aid policy and program administration of importance to students and the state throughout the 1990s.

The Board recently completed the *1992 Update of the Master Plan for Higher Education: A Commitment to Opportunity*. The need for equitable access is one of five key issues addressed in the Update. In that plan the Board has emphasized that qualified individuals should be assured of access to postsecondary education regardless of ability to pay. To ensure that the state's programs of student financial aid are responsive to existing and emerging needs, the Board directed staff to study state financial aid policies, similar to an effort conducted in 1988 as a part of the original *Master Plan*. The 1992 Update provides the policy framework and demographic context for this study.

A review of state student financial aid policy is timely for several reasons. First, the Legislature has shown increased interest in the administration of the State Need Grant program, which currently serves low income students, and in the distribution of program funds by type of institution. There is indication of interest on the part of some legislators in the possibility of extending the program to students from middle income families. Board staff committed to a full discussion of these policies.

A review of student aid policy is also appropriate given the state's population and demographic forecasts. Our population is growing, as is the number of low income persons. Since the State Need Grant program is targeted to low income individuals pursuing postsecondary education, the state's population and demographic forecast has immediate relevance for that program's growth and funding needs. Education and training of Washington's low income citizens is critical to individual self-sufficiency and to the economy of the state.

During the summer of 1992 Congress amended the Higher Education Act --- federal legislation defining student eligibility for federal or state financial aid and the method by which need is determined. This legislation has a direct bearing on how the state of Washington administers state student aid programs commencing with the 1993-94 academic year.

Further, a study of state student financial aid policy is appropriate given recent discussions about tuition policy changes which would grant institutions greater control over tuition revenues. Tuition policy and student aid policy in this state have been closely linked for

decades, recognizing that tuition charges as well as the availability of student aid impact the affordability of postsecondary education for many students.

These issues, in large part, define the scope of this student financial aid study, which is intended to provide a "blueprint" for the 1990s, focusing on policies, populations and programs. This document is also intended to orient new Board members and legislators to student aid issues and their relationship to other higher education policies.

By design, this study has involved the participation of many individuals, representing various constituencies and perspectives on financial aid issues. A one-day colloquium was convened in October to provide a forum for discussion of issues related to the study. Several advisory committees, comprised of members with diverse opinions and areas of responsibility, guided the development of the study. A discussion of study scope, design, process and advisory committee participation is attached to this report as Appendix A.

A draft report was widely circulated and the public invited to respond. Public hearings to solicit comment on the draft report were convened in Seattle (December 17), Spokane (December 18), Olympia (January 28), and Sea-Tac (February 3). In addition, written testimony was invited. All testimony received through February 5 has been considered in the preparation of this report. Transcripts from the public hearings and copies of written testimony have been sent to members of the Higher Education Coordinating Board. Anyone wishing to review them may arrange to do so by calling the HECB office.

A revised report was sent to members of the Higher Education Coordinating Board and interested parties. On March 11, 1993, following a staff briefing, opportunity for public testimony and Board discussion, the Higher Education Coordinating Board unanimously adopted the Student Financial Aid Policy Study report and the recommendations contained herein.

Executive Summary

Student Financial Aid Policy Study

Context

The Higher Education Coordinating Board is responsible for planning the state's system of higher education. The Board is also responsible for administering and coordinating the state's programs of student financial aid and for performing related functions of research, accountability and policy development. The Board recently completed the *1992 Update of the Master Plan for Higher Education* and now turns its attention to the study of student aid policy.

This paper presents an overview of student financial aid in Washington state, reports trends in college costs and state population, and explores the relationship between student aid and broader higher education policies. It is intended to provide a "blueprint" for the 1990s focusing on populations, policies and programs. The recommendations evolving from this study seek to ensure that qualified students will not be denied access to postsecondary education because of their inability to pay.

It is recognized that student financial aid alleviates but one barrier to access: the financial barrier. Other barriers, such as enrollment limits and geography, also exist. While increased funding for student financial aid is critical to providing access to postsecondary education for many low income students, additional funding is also needed for increased enrollments, quality instruction and improved facilities.

Access and quality are mutually held values. The Board and other readers are urged to hold each value as reinforcing of the other, rather than mutually exclusive, when considering higher education policy issues and resource constraints.

While perhaps not comprehensive, this student financial aid study is broader in scope than any performed in recent years. This expanded study is timely for several reasons. The Legislature has evidenced considerable interest in tuition and financial aid issues, and in the distribution of student aid funds by type of institution. In 1992, Congress enacted major changes to federal financial aid laws --- some of which impact state aid programs.

The environment within which higher education operates is also changing. The state's population is growing; it is also growing more ethnically diverse and poorer. These changes necessitate increased funding for public schools and social services. Concurrently, the economy is lagging and tax revenues are not keeping pace with increased demands for state services. Higher education competes within the state's budget for its share of public support. Institutions

compete for funding. And students vie for enrollment opportunities and available financial aid. The resource constraints of the 1990s have implications for postsecondary education and student financial aid policy.

Higher Education Financing and Student Aid

States have traditionally provided indirect aid to college students by providing operating subsidies to public postsecondary education institutions that reduce the price of student tuition. Conversely, federal aid for postsecondary education targets assistance to financially needy students rather than to institutions.

In fiscal year 1991, states collectively appropriated over $40 billion to colleges and universities and an additional $2.3 billion for student financial aid. During the same year, the federal government appropriated $12.1 billion for student aid.

Washington state appropriated over one billion dollars to support postsecondary education in fiscal year 1991. Of that amount $995.3 million (97.2 percent) was appropriated to public institutions, and $28.8 million (2.8 percent) for financial aid payments to students.

The state of Washington helps students and families finance the cost of education by subsidizing a large portion of the cost through appropriations to public institutions, through tuition and fee waivers, and through state appropriations for direct-to-student payments of financial aid (typically need based). Each of these approaches reduces the actual amount the student and his or her family must pay toward the cost of college. This paper focuses primarily on direct-to-student forms of student financial aid.

Student Financial Aid in Washington State - An Overview

Following the adoption of the federal Higher Education Act of 1965, Washington created a state funded program of student financial aid in the late-1960s. Like the federal Act, the focus of the state program was on the provision of equal educational opportunity. Washington's student aid statutes were written with remarkable flexibility and clarity; they remain virtually unchanged after 25 years of policy evolution and experience. While state programs today serve many public purposes, equal educational opportunity remains as their fundamental goal. Financial need serves as the primary criterion for 96 percent of all state student aid expenditures.

Need based student financial aid is provided to help students meet college costs beyond the amount which they and their families can reasonably be expected to pay. During the 1991-92 academic year, an estimated 72,000 students (over 40 percent of the enrolled student population) in Washington received some form of need based student aid.

During the 1991-92 academic year, nearly $396 million in direct forms of student financial aid was awarded to students attending Washington institutions. Approximately 78

percent of the aid was either appropriated or guaranteed by the federal government. State funds comprised roughly ten percent of all need based financial aid in Washington, with the remaining 12 percent provided by institutions and private sources.

Financial aid is available in three forms: grants, work study and loans. Grants (and scholarships) consist of aid which does not have to be repaid. Work study includes both state and federally-subsidized part-time student employment. Loans are offered to students with the understanding that they will be paid back in full, with interest, by a specified future date. During 1991-92, of the total financial aid available in Washington state, 41 percent was in the form of grants, seven percent work study, and 52 percent loans.

The state of Washington funds many student aid programs. This report discusses the three largest programs and offers program policy recommendations. These programs include the Washington State Need Grant (SNG) program (funded at $21 million in 1992-93), the Washington State Work Study (SWS) program ($12 million), and the Educational Opportunity Grant (EOG) program ($1 million). These three programs are need based: each is available only to students with demonstrated financial need. The remaining smaller programs are related either to workforce shortages or to recognize academic excellence, as is the case with the Washington Scholars Program.

The Board administers state funded student aid programs at a three percent administrative overhead, or for three cents on the dollar. When all "pass through" administrative payments to higher education institutions are included, overhead totals four percent. Thus 96 cents of every dollar appropriated to the Board for student financial aid gets into the hands of students. Whenever possible smaller programs employ parallel definitions and administrative procedures in an effort to reduce overhead costs, which are proportionally higher for smaller programs.

How Financial Aid Works

"Need based" is a term that is commonly used in describing student aid programs. Although some programs (typically grants) are targeted to the exceptionally needy, a student does not have to be poor to qualify for financial aid, but does have to demonstrate need for financial assistance. Need is the difference between what it costs to attend a college and what the student and his or her family can afford to pay.

Common "need analysis" rules exist which determine the amount a student and his or her family are expected to pay based on the family's characteristics and financial strength. These rules are written by Congress, and govern the awarding of nearly all need based student financial aid (federal, state and private sources). These rules were updated this summer to expand eligibility to middle income students. The rules go into effect in January 1993 when institutions start to award funds for the 1993-94 academic year.

In addition to these common need analysis rules, each separate student aid program has specific rules governing other student eligibility criteria. These program-specific rules often cause confusion about student financial aid; in each case, however, the rules evolve from program statutes.

Financial aid administrators generally combine ("package") various sources and types of financial aid to meet a student's need. Each student's package depends on his or her eligibility for various programs and on the amount of funds available at that institution. Aid administrators try to balance grants, loans and work study when awarding aid to students.

College Costs

Recent increases in college costs have caused many students and families to worry about the future affordability of college. This worry stems from a strong belief in the importance of higher education coupled with a general awareness of inadequate student financial aid. A 1991 Gallup Poll reported that an overwhelming majority of the public (93 percent) views a college degree as important in order to get a job or to advance in a career. Nearly as many (87 percent) believe that college costs are rising at a rate which will put postsecondary education out of the reach of most people.

Growth in college costs over the past ten years among Washington institutions, whether public or private, has been less dramatic than similar cost of attendance increases nationally. During this period, public university costs in Washington state increased by 68 percent, private costs by 78 percent, and community college costs by 64 percent (compared to national average increases of 78 percent, 106 percent, and 60 percent, respectively).

One of the most difficult issues faced by Congress and state legislatures today is how to respond to expressed concerns and complaints of parents and students regarding escalating college costs, and how to establish funding priorities for assistance among eligible low and middle income students.

Higher Education Policy Relationships

Washington has in place an integrated set of policies which shape the delivery of higher education. These policies establish enrollment goals, determine which populations will have access to postsecondary education (and where) and govern how postsecondary education will be financed. These policies are related.

Washington's recent history of limiting public postsecondary education by "capping" enrollments at public colleges and universities necessitates careful thinking about higher education policy relationships; specifically, the relationship of student financial aid policy to the state's admissions standards, minority enrollment goals, and tuition pricing strategies.

For example, the amount of need based student financial aid required at a campus depends upon what it costs to attend that institution and the socioeconomic profile of enrolled students. If the institution enrolls higher income students, it needs less aid; if it enrolls lower income students, it needs more. If it has insufficient aid to offer, it may not be able to admit as many low income students. Or, if it has inadequate enrollment spaces, it may opt to admit those better prepared students who may also require less financial aid.

It is well documented that academic preparation for college is highly income-correlated. Without continued statewide commitment to equal opportunity --- demonstrated through admissions practices, minority enrollment goals, tuition policy and the provision of student financial aid --- lower income students risk unintended exclusion from postsecondary education.

Private Higher Education

Of significance to this study is the extent to which the state, through financial aid payments, should support low income students who attend private colleges and universities. Washington has a comprehensive system of postsecondary education, comprised of both public and private institutions. The role of private colleges and universities in this state, as recognized by the Board's 1990 enrollment plan, is especially important given the budget driven practice of limiting public enrollment opportunities. Private colleges currently award over one-quarter of the baccalaureate degrees earned in Washington.

Just as enrollment opportunities in this state are limited, so are state student financial aid funds. Perhaps nowhere is this tension more intense than in discussions about state grant amounts appropriate for low income students attending private colleges. Without financial aid many low income students cannot afford to attend private institutions. But a cost-sensitive state grant for a student at a private college is nearly double the amount received by a community college student, many of whom also remain unserved.

Tuition Policy

If Washington follows the recent experience of other states in facing budget deficits, higher education will be expected to generate increased revenue through higher tuition charges, ensuing a "high tuition" or "low tuition" debate.

Many argue that increasing tuition rates is good public policy. When tuition is priced below the actual cost of providing instruction, as it is in most states, it creates a subsidy for the student regardless of need or family ability to pay. Those who favor higher tuition policies argue that opportunity and equity will be furthered by targeting tuition subsidies, through direct forms of need based student aid, to students lacking financial resources. This approach assumes that the individual is the primary beneficiary of his or her education. It views low tuition as both inefficient and inequitable --- inefficient because a large number of students and families

who don't need the subsidy receive it, and inequitable because it spends more money on the middle class and the wealthy than on low income individuals.

The more traditional approach to tuition pricing distributes public subsidies broadly by maintaining low tuition. This approach views society as the primary beneficiary of public expenditures on postsecondary education and subsidizes the education of all enrolled students regardless of financial need. To proponents of this view, tuition increases signal an erosion to educational equity and opportunity for the poor and middle class who feel compelled to downgrade their educational choices or opt out of higher education altogether.

A "high tuition" approach necessitates a "high financial aid response" to preserve equal opportunity for low income and disadvantaged students. Yet many states raised their public tuition rates last year and concurrently cut their student aid programs. Consequences of these actions are not yet known.

Student financial aid policy in Washington state is historically closely linked with public tuition policy. Most growth in student aid funding over the past decade has occurred as a result of a legislative policy which increases state student aid appropriations from the state general fund whenever tuition and fee rates increase.

Future use of this statutory funding formula is in question because the Legislature in 1992 granted institutions authority to retain operating fees revenue and is expected to consider granting institutions authority to set tuition rates. Ironically, Washington policymakers find themselves questioning continuation of this formula precisely when the number of low income students is increasing and when the state is considering tuition increases.

Academic Preparation, Partnerships, and Outreach

In the *1992 Update of the Master Plan for Higher Education*, the Board declared its support for efforts to increase access for economically disadvantaged students and improve the recruitment, retention, and success in all levels of postsecondary education of students of color and students with disabilities. Such efforts require creative partnerships. The Board urged creation of a program to ensure timely dissemination of information to prospective students to help reduce barriers to colleges and universities.

A successful initiative would require good information about academic preparation as well as student financial aid. College aspirations are more difficult to shape among students from disadvantaged low income families. Poor students have limited exposure to formal education since their parents are less likely to have participated in higher education. For these prospective students, information about the value of postsecondary education and the availability of financial assistance is particularly important. They must also receive this information early enough to influence their aspirations, academic preparation and plans.

Program Recommendations

These issues, in large part, define the scope of this student financial aid study and lead to the policy and program recommendations which follow. The text of this report fully discusses each recommendation offered by staff to stimulate broader policy discussions about student aid policy and program changes.

This study has involved the participation of many individuals, representing various constituencies and perspectives on financial aid issues. (See Appendix A to the full report for further discussion of study scope, design, process and advisory committee participation.)

Introduction

Participation in higher education matters. It awakens new possibilities. It contributes to the development of human potential, and it furthers the productivity of the state and the nation.

Many who aspire to postsecondary education cannot afford the cost. During the 1991-92 academic year, approximately 72,000 Washington students received financial assistance to make their participation possible. For these individuals, the availability of student financial aid made the difference in whether or not this potential would be realized, either for themselves or for society.

Prior to the mid-1960s the determination of who attended college and which institution they attended was relatively simple. Most enrolled students were young adults and financially dependent upon their parents; many lived at home. A large number of students reportedly worked their way through college. Private institutions were available to those who could afford them, through family savings or scholarships. Public colleges were more widely available, due to state tax support and resulting policies of low tuition. According to the Bureau of Labor Statistics, in 1960 only 45 percent of the nation's high school graduates went to college compared to today's 60 percent.[1]

Much of the increase in the proportion of individuals who pursue postsecondary education is attributable to the role of the federal government in higher education policy and funding. In 1965 Congress passed the Higher Education Act, assuming major responsibility for increasing college opportunity for the disadvantaged. This Act established that aid to needy students would become the primary method by which the federal government would assist higher education. In 1969, the state joined the federal effort by establishing its first state-funded program of student assistance. Equal educational opportunity was established as an important societal goal, and student financial aid furthered that goal.

Financing postsecondary education today is more complex and more difficult. It is complex because multiple partners (the federal government, the state and institutions) provide aid to a diverse student population through a sometimes confusing mix of aid types and programs. It is difficult because college costs continue to outpace inflation and increases in family incomes, resulting in a growing number of students who need assistance. It is also harder to work one's way through college now than it was 30 years ago since the disparity between today's average wage and the cost of college is considerably greater than it was prior to the mid-1960s.

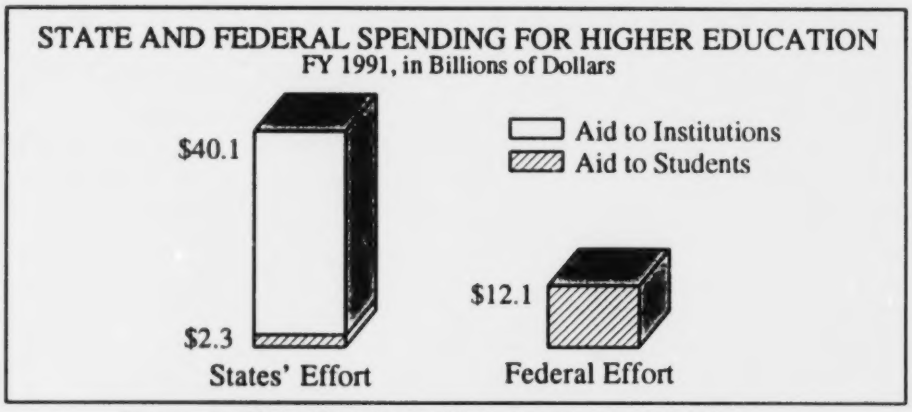
While these complexities exist, student aid remains a good public investment. It opens doors for individuals who otherwise could not afford college. By creating educational and training opportunities, it enables citizens to become more self-reliant and productive. It unlocks human potential. And every dollar spent on student aid is reported to return $4.30 in tax revenue to the federal treasury.[2] From a public policy perspective, the return on the public's investment in student aid is substantial whether measured by the fulfillment of an individual's dream or by increased federal and state productivity.

Chapter One

Student Financial Aid in Washington State - An Overview

State and Federal Effort

National Support for Postsecondary Education: The 50 states and the federal government provide a substantial sum of money for the support of postsecondary education. In fiscal year 1991, states collectively appropriated $40.1 billion to colleges and universities and an additional $2.3 billion for student financial aid. During the same year, the federal government appropriated $12.1 billion for student financial aid and a limited additional amount for higher education research and development.



Sources: 1) "Higher Education and National Affairs," Facts in Brief, A.C.E., April 6, 1992.

2) "Trends in Student Aid, 1982-1992," Table 3, Page 6.

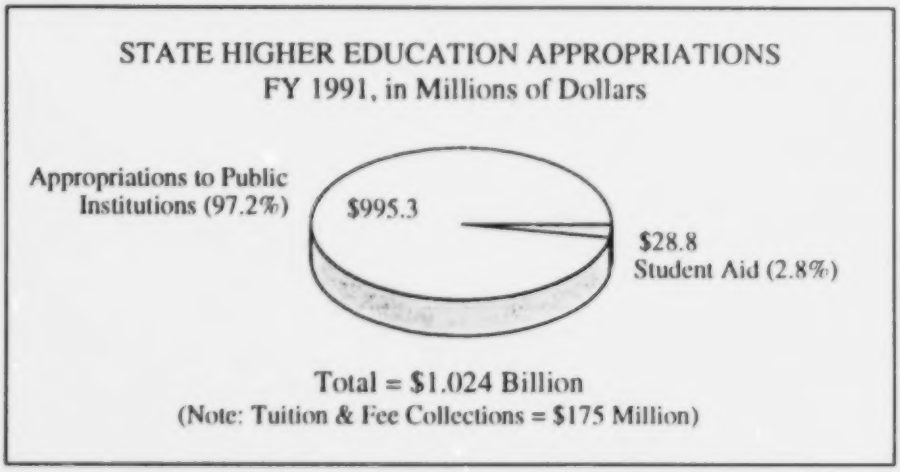
3) "Higher Education and National Affairs," A.C.E., Dec. 9, 1991. Reporting information from the Center for Higher Education at Illinois State University.

As illustrated above, appropriations made by the states for higher education are predominantly focused on supporting the cost of operating public institutions. By underwriting a substantial portion of the cost, states can establish tuition rates for students at levels considerably below the actual cost of education. State subsidized tuition at public colleges is therefore an indirect form of student financial aid. It is available to all who qualify for admission, independent of financial need, thereby suggesting that widespread access to public postsecondary education is recognized to be in the public interest. Conversely, federal aid for postsecondary education (except for research funds) targets assistance to financially needy students rather than to institutions.

Total support for postsecondary education provided by the states through subsidized tuition and direct financial aid to students was approximately three and one-half times the amount provided by the federal government. However, the federal government was the major contributor of direct-to-student payments of financial aid.

Washington State's Support for Postsecondary Education: The state of Washington helps students and families finance the cost of education by subsidizing a large portion of the cost through appropriations to public institutions, through tuition and fee waivers, and through state appropriations for direct-to-student payments of financial aid (typically need based). Each of these approaches reduces the actual amount the student and his or her family must pay toward college costs.

During the 1991 fiscal year, Washington state appropriated over one billion dollars to support postsecondary education. As illustrated in the following chart, 97.2 percent of that amount (or $995.3 million) was appropriated to the public institutions, and 2.8 percent (or $28.8 million) was appropriated for student financial aid.


STATE HIGHER EDUCATION APPROPRIATIONS
FY 1991, in Millions of Dollars
Appropriations to Public Institutions (97.2%)
$995.3
$28.8
Student Aid (2.8%)
Total = $1.024 Billion
(Note: Tuition & Fee Collections = $175 Million)

Evolution of Washington's State Funded Program of Student Aid

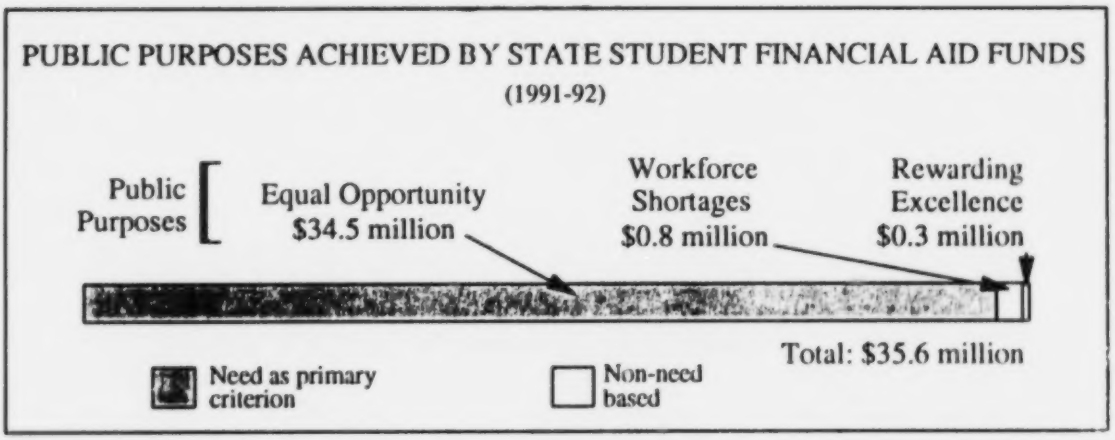
1967 Student Aid Study: Authorization of the federal Higher Education Act of 1965, coupled with an expanding college-age population in Washington state, prompted the 1967 Legislature to call for a comprehensive study of ". . . the desirability and feasibility of establishing a state program for awarding scholarships and student loans to worthy students in our institutions of higher learning."[3] The study, conducted by the Temporary Advisory Council on Public Higher Education and published as the *Report on Higher Education in Washington,*[4] was forwarded to then Governor Daniel J. Evans and the members of the Forty-first Legislature in December, 1968. The financial aid recommendations were part of broader recommendations on higher education.

In brief, the Advisory Council recommended that a broad-based program of student financial aid be established, and that the program recognize financial need as the primary criterion for student eligibility. The Advisory Council's recommendations were adopted by the 1969 Legislature and embodied in statute (RCW 28B.10.800-824). This statute has endured with little change for well over two decades, incorporating new student populations and providing expression of purpose and continuity to the state's student financial aid effort.

Since the original 1967 student aid study the Board and its predecessor agencies have, on several occasions, revisited and revised program policy within the existing statute. The most recent comprehensive review prior to this policy study occurred in 1988 parallel to the development of the *Master Plan.*

State Funded Programs: Today, the state supports a comprehensive financial aid effort through a variety of state funded student financial aid programs serving multiple student, institutional and societal needs. (Information specific to each state program is attached as Appendix B.) These programs have been authorized over time to achieve one or more of the following public policy objectives: (1) to foster equal educational opportunity and social mobility for economically disadvantaged students; (2) to increase society's supply of well-educated and trained workers; (3) to meet specific workforce shortages by enlarging the supply of individuals with particular expertise, training or credentials; and (4) to recognize excellent scholarship or academic performance. By design, many programs achieve more than one public policy objective or purpose.

The following illustration correlates public purpose with program funding and demonstrates the importance the state has placed on promoting equal educational opportunity.



As is demonstrated by the chart above, financial need serves as the primary criterion for 96 percent of all state student aid expenditures. Three percent of the state's aid is intended to meet specific workforce shortages, and the remaining one percent is dedicated to merit-based aid in recognition of academic excellence.

The Board administers this array of state funded programs at a three percent administrative overhead, or three cents on the dollar. When all "pass through" administrative payments to higher education institutions are included, overhead totals four percent. Thus, 96 cents of every dollar appropriated to the Board for student financial aid gets into the hands of students. Wherever possible smaller programs employ parallel definitions and administrative procedures in an effort to reduce overhead costs which are proportionally higher for smaller programs.

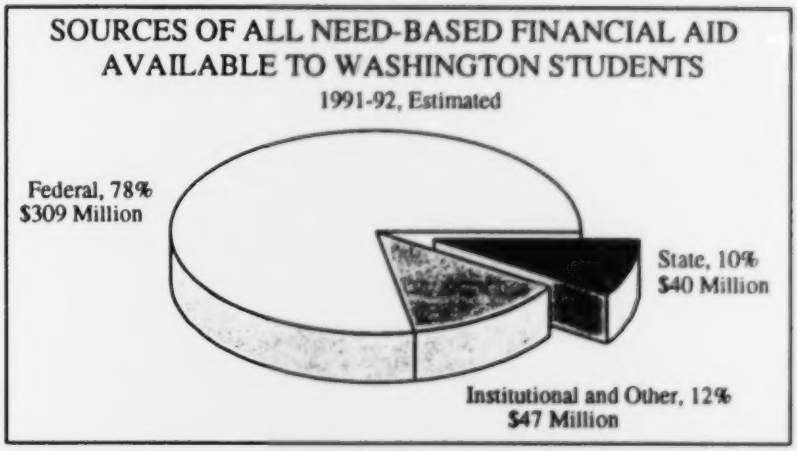
While state student aid programs comprise only ten percent of the total amount of financial aid available in this state (including federal, state, institutional, and private sources), Washington's effort is nevertheless of great importance to students and to the state. As the 1967 legislative student aid study resolution reads: "The state of Washington can achieve its full economic and social potential only if every individual has the opportunity to develop his (sic) capabilities to a high degree."

Availability of Financial Aid in Washington State

Student financial aid serves two fundamental goals: (1) to remove financial need as a barrier to access to higher education; and (2) to provide the workforce necessary to achieve state economic and social goals.

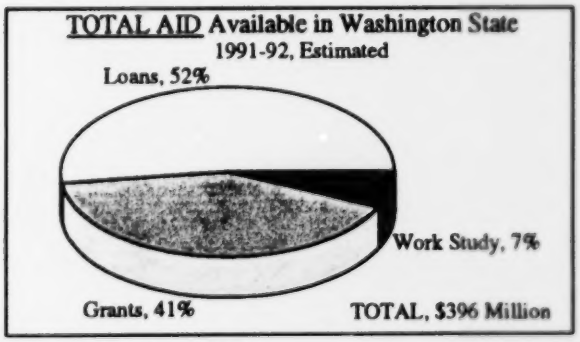
Need based student financial aid is provided to help students meet college costs beyond the amount which they and their families can reasonably be expected to pay. During the 1991-92 academic year, an estimated 72,000 students in the state of Washington (over 40 percent of those enrolled) received some form of need based student aid.

Sources and Amounts of Assistance: During the 1991-92 academic year, nearly $396 million in direct forms of student financial aid was available to students attending Washington institutions. Approximately 78 percent of the aid was either appropriated or guaranteed by the federal government. State programs comprised roughly ten percent of all need based financial aid in Washington, with the remaining 12 percent provided by institutions and private sources.

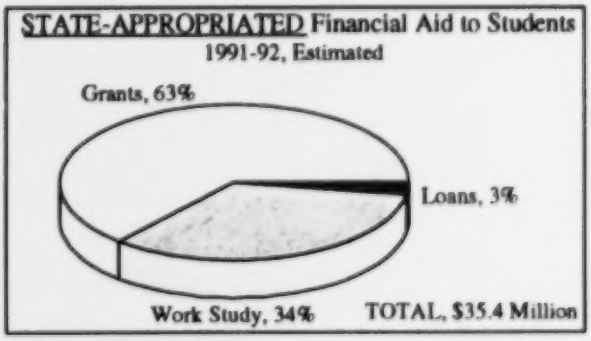


Types of Aid: Financial aid is available in three forms: grants, work study and loans. *Grants* (and scholarships) consist of aid which does not have to be repaid. Grants usually are awarded on the basis of financial need alone, while scholarships may carry additional stipulations such as academic merit or specific career objectives. *Work study* includes both state and federally-subsidized part-time student employment. *Loans* are offered to students with the understanding that they will be paid back in full (with interest) by a specified future date, although repayment generally does not begin until the student has terminated his or her education.

As illustrated below, during the 1991-92 academic year, of the *total* financial aid available in Washington state, 41 percent was in the form of grants, seven percent work study, and 52 percent loans. *State-appropriated* financial aid to students was primarily delivered through grant and work study funding, with grants equalling 63 percent, work study 34 percent and loans three percent.



Source: Overview 1990-91



Source: Overview 1990-91

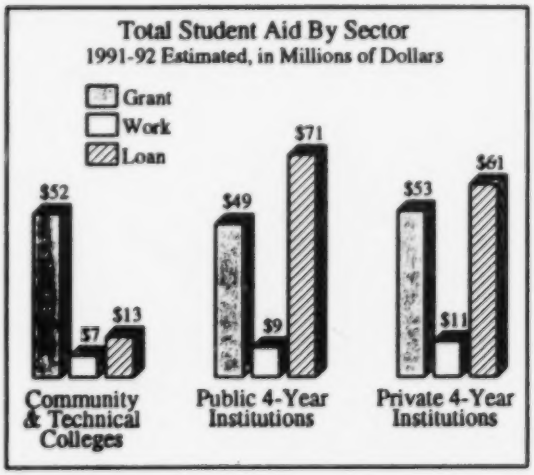
As illustrated in the preceding charts, although state programs are focused almost entirely on grant and work study programs, more than half the total financial aid available in Washington state is in the form of federal student loans. The proportion of loans to grants has reversed over the past decade, and the predominance of loans is expected to continue to grow, given changes in student eligibility and the increased loan limits permitted in the recent Reauthorization of the federal Higher Education Act.

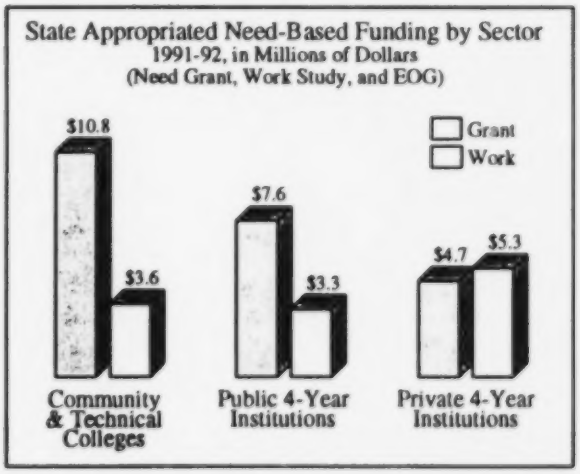
In the early 1970s, when the availability of student loan funds was extremely limited, state legislation authorized the establishment of a Higher Education Assistance Authority (HEAA), to act as a secondary market for student loans. However, the State Supreme Court ruled that it was unconstitutional for the state to guarantee student loans, and the HEAA did not become operational.

Then, in the 1976 Reauthorization of the Higher Education Act, Congress asked states to replace the federal government's program of loan insurance for students, either through a state financed and administered program or through designation of a private corporation established for that purpose. Based on the court's decision regarding the HEAA and other related cases, then-Governor Dixy Lee Ray decided on the latter, designating the private, nonprofit Washington Student Loan Guaranty Association (subsequently renamed the Northwest Education Loan Association) to act as guarantor of student loans made by lending institutions within the state of Washington.

This distribution of responsibilities has been beneficial to students by providing them with access to student loans. It has also benefitted the state, allowing it to take advantage of private capital to fund student loans and to focus its efforts on funding grant and work study programs, thereby providing an appropriate mix of grant and self-help aid for needy students. This is in keeping with the Board's statute which directs the Board to design a state program which complements federal programs.

Distribution of Financial Aid: The following charts illustrate the distribution of all aid and state-funded financial aid by institutional type.





Principles and Practices in Awarding Aid

The statute (RCW 28B.10.204) which created the original state student financial aid program directs the Board to be cognizant of several principles and practices in the awarding of aid and performance of other administrative duties. Three guidelines command attention: (1) state aid should be "packaged" with other forms of aid; (2) state programs should complement other existing aid programs; and (3) the Board should coordinate all existing programs of financial aid except for private donor scholarships given to institutions.

A basic understanding of the following principles and practices is important to consideration of program policy options. Many of the definitions and procedures described below are excerpted from "Meeting College Costs," a financial aid publication of the College Scholarship Service of The College Board.[5]

How Financial Aid Works: Financial aid is money that is made available to help students and their families pay for postsecondary education costs beyond the amount they are able to pay themselves. Although some programs (typically grants) are targeted to the exceptionally needy, a student does not have to be poor to qualify for financial aid, but must demonstrate need. "Need" is the difference between what it costs to attend a college and what the student and his or her family can afford to pay.

What It Costs To Attend
\- What The Student/Family Can Pay
= Need for Assistance

The cost of attendance includes both direct costs (tuition, fees and books) and an allowance for living expenses (food, housing and transportation) since it is assumed that, if the student attends school full-time, he or she cannot also work full-time. With few exceptions, the allowance for living expenses and books is relatively consistent among all institutions. The greatest variable is the price for tuition and fees.

The amount the student and his or her family are expected to pay is determined according to a nationally-standardized process called "need analysis." Need analysis measures presumed ability to pay, based on the family's characteristics and financial strength. Since the expected family contribution is based on its financial strength, the family is expected to pay a specified amount, regardless of the cost of attending the school of choice.

As noted above, financial need is the difference between the cost of attending a college and the amount the student and his or her family are expected to pay. Students are usually eligible to receive financial aid up to the amount of their need. Since the cost of education varies among institutions, the student is eligible for different amounts of assistance at different colleges.

Financial aid administrators generally combine ("package") various sources and types of financial aid to meet a student's need. Each student's package depends on his or her eligibility for the various programs and on the amount of funds available at that institution. Typically, each student's financial aid award contains some combination of grants, loans, and work expectation.

Recent Legislative Action

The College Promise Bill: During the 1992 legislative session, a major piece of student financial aid legislation was introduced by Representatives Ken Jacobsen and Gary Locke. Called the College Promise Bill, it sought to reinvigorate the state's educational commitment to its citizens and offered several innovative concepts for student aid. The bill was passed unanimously by the House of Representatives, but did not come up for a vote in the Senate.

The College Promise Act was reintroduced this year as a part of a more comprehensive higher education financing bill. Among its many positive features the bill, as drafted, seeks to assure that funding will be adequate to meet the needs of Washington students; it simplifies the financial aid application process for low and moderate income families without substantial assets; it shelters home equity from consideration in the need analysis process; it establishes a clear priority for grant funding to low income students, adding middle income students with documented need as additional funding becomes available; and it seeks to limit student indebtedness to a reasonable level.

Since the bill's introduction last year, Congress adopted many of the same principles in its Reauthorization of the Higher Education Act, making the key features of the College Promise bill even more important to the coordination of state and federal programs. Several concepts of the College Promise bill have been incorporated into this paper.

Reauthorization of Higher Education Act - Changes to Need Analysis: Federal need analysis criteria are Congressionally determined and generally govern the administration of state student aid as well. This use of common measures benefits students, their families and postsecondary institutions by simplifying the financial aid application and awarding process. However, such integration sometimes poses problems.

Last summer when Congress reauthorized the Higher Education Act of 1965, it amended need analysis criteria and significantly reduced the amounts many students and their families will be expected to pay, starting in 1993-94. These changes will result in considerable expansion of student eligibility for financial aid and the addition of new populations of eligible students (such as those from middle income families). However, except for increasing the amount students may borrow and extending loan eligibility to all students (without regard to need), Congress did not appropriate additional sums of student aid money for 1993-94.

Congressionally mandated changes in the federal need analysis prompted staff to consider changes to the administration of Washington's student financial aid programs. Recommended program changes are addressed in Chapter Four of this paper.

Chapter Two

College Costs and Affordability

Public Opinion

Rapid raises in tuition and increases in other college costs have caused many students and families to worry about the future affordability of college. This worry stems from strong belief in the importance of higher education coupled with a general awareness of inadequate student financial aid. The worry is exacerbated by hard economic times and an awareness that college costs are rising faster than personal income.

A 1990 Gallup Poll reported that six in ten adults (58 percent) felt that having a greater number of college-educated adults would dramatically improve society's ability to solve social problems such as crime, drugs, and homelessness, as well as keep our country competitive in the world economy (59 percent). Most (75 percent) thought there would be big improvements in science, medicine, and technology if more Americans could get a college education.[6]

A parallel survey conducted in 1991 reported that an overwhelming majority of the public (93 percent) views a college degree as important in order to get a job or to advance in a career. Nearly as many (87 percent) believe that college costs are rising at a rate which will put postsecondary education out of the reach of most people.[7]

Concern about college costs appears highest among middle aged persons from more affluent households, and is somewhat greater among men than women, according to a recent survey conducted by *Money Magazine*. Only retirement costs outweigh concern for college costs for this group of Americans.[8] This is not surprising since, nationally, the middle-aged and the middle class pay the majority of college costs. For example, in 1987 the average tuition-paying household paid $3,799, but householders aged 45 to 54 paid $5,231 --- the highest of any age group.[9]

Trends

National Trends - A Decade of Increases: A decade of tuition increases in both public and private higher education has contributed significantly to rising college costs. But tuition is only one component of a student's cost. For a student attending a public college or university, tuition comprises roughly one-third of the student's cost of attendance. The student's calculated cost of attendance, as referenced, includes tuition, fees, and room and board costs. *(Note: The calculation excludes such variable but allowable costs as transportation, child care, medical and dental expenses, and books and supplies. This has the effect of understating total costs.*

Therefore, these numbers should not be used for other comparisons.) This calculation of the student's cost of attendance as developed by the College Board is used in the following discussion because it is the basis upon which national data are most available.

The College Board reports the *national* average cost of attendance for undergraduate education at a public university in 1982-83 was $3,403 compared to an estimated $6,043 in 1991-92, a 78 percent increase. The average annual undergraduate cost of attending a private university in 1982-83 was $8,537 compared to an estimated $17,638 in 1991-92, an increase of 106 percent over the past decade.[10]

The rate of annual growth of college costs nationally slowed substantially in the later part of the 1980s, the College Board reports, but is still running ahead of both inflation and average growth in family income. For the first time since 1982, the growth in disposable personal income per capita did not keep pace with inflation between 1990 and 1991, falling from $16,572 to $16,318 in real terms.[11]

State Trends - Parallel Increases: In *Washington*, the average calculated cost of attendance for an undergraduate student at a public university (including tuition, fees, and room and board costs only) rose from $3,557 in 1982-83 to $5,984 by 1991-92, a 68 percent increase. The average tuition and fees and room and board cost experienced by an undergraduate student at a private university increased from $7,381 in 1982-83 to $13,899 in 1991-92, an 88 percent increase. The differences in percentage growth of costs over time in this calculation is solely attributable to variable and growing tuition rates, because the same room and board charges were applied for students at public and private institutions. (See note on previous page.)

Trend Analysis - State and National Comparisons: Private university costs rose more rapidly in Washington than did public university costs (88 percent cf 68 percent), but rose less rapidly than did the national average for private universities (106 percent) over a comparable time period. Similarly, Washington's public university costs rose less significantly over the past decade (68 percent) than did comparable national costs (78 percent), as reported above.

Washington community college costs were approximately 25 percent higher than the reported national averages for comparable institutions between 1982-83 and 1991-92. This may reflect the fact that many states charge very low tuition for students enrolled in community colleges, thereby lowering average national costs. However, the rate of growth in costs was nearly the same: 64 percent growth in Washington compared to 60 percent growth nationally.

Federal and state appropriations for financial aid have not kept pace with rising costs. One of the most difficult issues faced by Congress and state legislatures today is how to respond to expressed concerns and complaints of parents and students regarding escalating college costs, and how to establish funding priorities for assistance among eligible low and middle income students.

Chapter Three

Student Financial Aid Policy - Framework for Discussion

It is recognized that student financial aid alleviates but one barrier to access: the financial barrier. Other impediments, such as enrollment limits and geography, also exist. While increased funding is critical to providing access to higher education for many low income students, additional funding is also needed for increased enrollments, quality instruction, and improved facilities. Access and quality are mutually held values. The Board and other readers are encouraged to hold each value as reinforcing of the other, rather than mutually exclusive, when considering higher education policy issues and resource constraints.

Relationship of Student Aid to Higher Education Policy

Broader Higher Education Policies: Washington has in place an integrated set of policies which shape the delivery of higher education in this state. These policies establish enrollment goals, determine which populations will have access to postsecondary education (and at which types of institutions) and govern how postsecondary education will be financed. State student financial aid policy can either strengthen or impede the state's educational goals for its residents; it must therefore be integrated with the state's broader goals for higher education.

While additional funding for student financial aid is critical to providing access to higher education for needy students, funding is also needed for increased enrollments and adequate institutional funding to ensure quality instruction.

Student Aid Policy Relationships: Washington's recent history of limiting the number of funded enrollments at public colleges and universities, in effect, rations postsecondary education. This practice necessitates careful thinking about higher education policy relationships; specifically, the relationship of student financial aid policy to the state's admissions standards, minority enrollment goals and tuition pricing strategies. In today's environment, policies related to these seemingly separate areas cannot be developed in isolation. They are interrelated.

For example, there is a direct relationship between the socioeconomic makeup of an institution's enrollment and the availability of need based student financial aid. If the institution enrolls higher income students, it needs less aid; if it admits lower income students, it needs more. If it has insufficient aid to offer, it may not be able to serve as many low income students. Or, if it has inadequate enrollment spaces, it may opt to enroll those better prepared students who may also require less financial assistance.

Researchers have documented that academic preparation for college is highly income-correlated, e.g., generally the greater the family income the better prepared the student. Students from higher income groups perform better on pre-college tests and have better high school grades than do those from low income families.[12] Students who come from families with higher incomes have greater access to resources of support that facilitate learning.

Without continued statewide commitment to equal opportunity --- demonstrated through admissions practices, minority enrollment goals, tuition policy and the provision of student financial aid --- lower income students risk an unintended exclusion from postsecondary education.

Limited Enrollment Opportunities

Financial aid increases alone will not solve the state's access problems. Additional public enrollment opportunities are also needed. Nevertheless, adequate financial aid is important if qualified low income students are to achieve equitable access to the limited enrollment opportunities which are available. Without equitable admissions policies and adequate financial aid, those least able to afford college are most likely to find opportunities denied them.

As the *1992 Update of the Master Plan for Higher Education* states, Washington's public postsecondary education system fails to provide enough educational opportunities to meet the demand of the state's residents. Thousands of students seek access each year and are denied entrance because there are no spaces available. This is true for students seeking entrance for the first time. It is also true for community and technical college students who seek to transfer to a four year public institution upon completion of their associate of arts degree. In addition, adults in increasing numbers are seeking access to programs for workforce preparation and retraining. Thus, varying groups of students compete for limited enrollment opportunities.

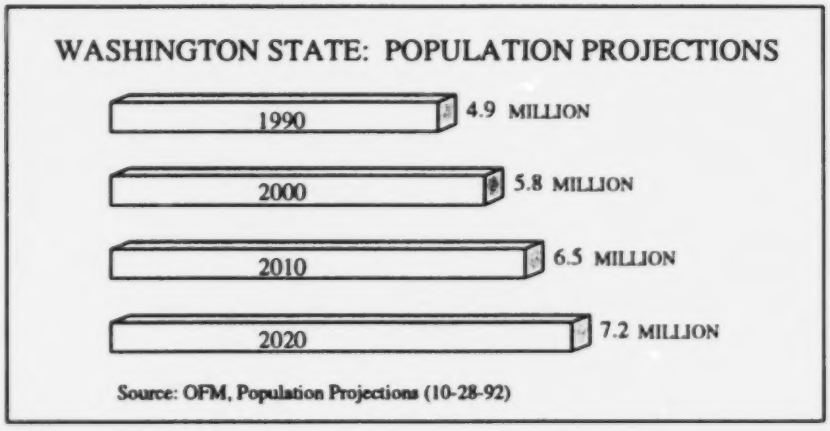
Washington's postsecondary education system has failed to keep pace with current population growth. Without intervention, the problem will only worsen as the state's population grows. State funded colleges and universities are serving fewer students today than they did in 1981. This decline was mandated by the Legislature in the early 1980s when enrollments were capped to save operating money and preserve educational quality. Between 1980 and 1989, enrollment in Washington's public postsecondary institutions fell by nearly 20 percent. Although modest enrollment growth has occurred since then, the impact of the caps has been dramatic: literally thousands of students have been denied admission to postsecondary education.

Financial aid policy, as well as funding, can play a role in addressing the state's access problems. It can ensure that academically prepared students who could not otherwise afford to attend the institution of their choice may do so. Student aid programs can, by design, also be used to encourage students to enroll in institutions with existing capacity --- public or private. Public institutions in the eastern part of the state experience less enrollment pressure than those in the western part of the state. Similarly, many private institutions report existing capacity. The state may wish to strengthen policies which promote access to upper division education for students who are willing to relocate to an institution with existing capacity. The state funded Educational Opportunity Grant program was authorized in 1989 to serve these objectives. A more detailed discussion of this issue is included in Chapter Four of this report.

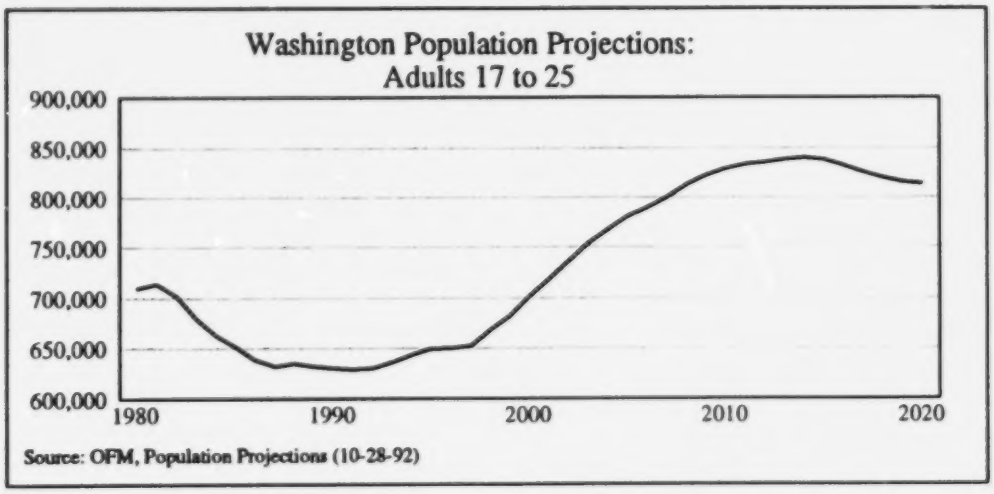
Populations

The socioeconomic profile of the state's population has significance for student financial aid policy. Washington's population is growing, and it is growing poorer. The *Master Plan Update* assumes an equity agenda for the 1990s: that qualified individuals should be assured of access to education and training opportunities regardless of their ability to pay. That assurance will necessitate increased, and sometimes targeted, student financial aid funding in the 1990s in response to the state's changing population and demographic patterns.

Population Growth: The state's population continues to grow at a steady pace. The following chart shows the projections for the next 30 years --- by 2020, the state's population is projected to reach 7.2 million, over two million more Washingtonians.

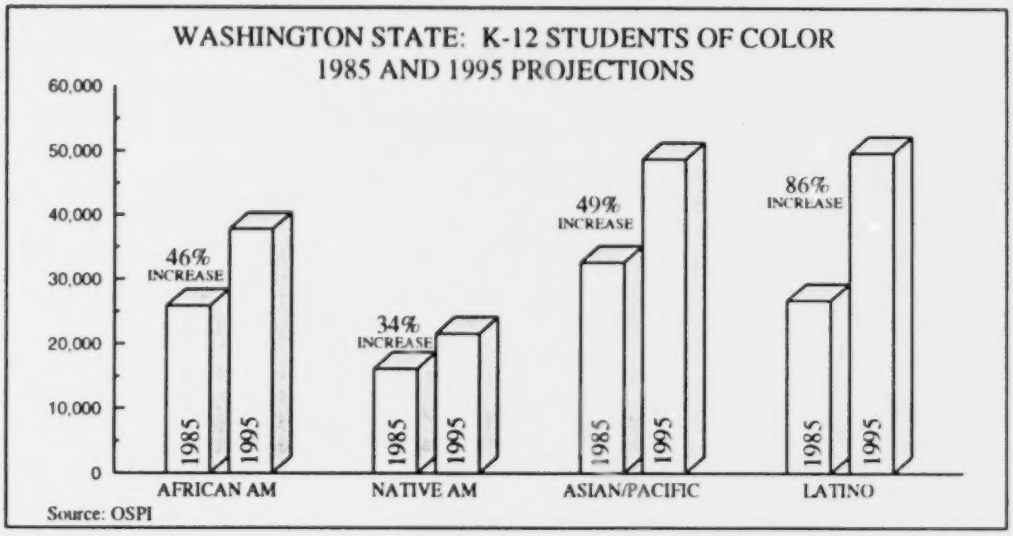


The rise in the population of persons aged 17 to 25, traditionally thought of as that population most likely to seek access to college, shows dramatic growth over this time span.



The Office of the Superintendent of Public Instruction projects an increase in the number of graduating high school seniors from 47,266 in 1992 to 66,139 by 2001. If these students continue on to college at the current rate, by 2001 there will be 9,000 more students seeking access to postsecondary education. This also assumes parallel levels of student financial aid will remain available to support their access. Also important is the increasing number of adults seeking higher education and training opportunities, many of whom require financial assistance.

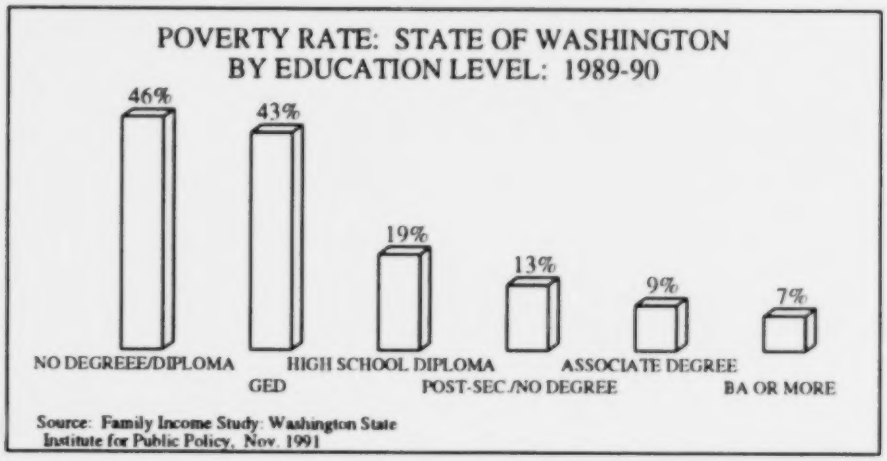
Demographic Change: As the population grows, demographics are shifting. In 1970, students of color made up six percent of the total enrollment in the state's public schools. In 1991-92 students of color were estimated to be 19 percent of the total. These phenomena are not limited to the state's urban centers, but occur throughout the state.



Demographic shifts are changing the student body in higher education as well. Students are older, more ethnically diverse, and more likely to be single parents. The percentage of students under the age of 26 has dropped from approximately 78 percent in 1970, to 58 percent today. Twenty years ago, less than 20 percent of students were over 30; today 29 percent are over the age of 30. In addition, there is an increase in the percent of students of color. In the past decade, the proportion of students of color in undergraduate programs has gone from 8 percent to 14 percent. And, a growing proportion of enrolled students are single parents.

Washington's population also is growing poorer. Poverty levels in Washington, while still below the national average, increased at rates faster than the national average between 1980 and 1990. Persons with the least education are the most likely to live in poverty. As college costs increase, more Washingtonians will likely find themselves unable to meet the costs of college attendance without financial assistance and, therefore, unable to move out of poverty by attaining a postsecondary education.

Research indicates a direct correlation between educational level and poverty. The following chart shows the rate of poverty by education level in 1989-90.



Trend data project that higher levels of education will be needed just to meet the demands for average paying jobs in the future. Projections indicate that very soon, a high school diploma will not be adequate to earn an income above the poverty level.

For student financial aid programs, these trends suggest that demand for assistance will increase significantly over the next several years, as the state's low income population grows and as postsecondary education is recognized as essential to the ability to earn a living wage. Along with increased funding for student assistance, financial aid and higher education policies in general must respond to the social and cultural concerns of a more diverse population seeking to benefit from postsecondary education.

Tuition Policy and its Relationship to Student Aid

Trends - Tuition Increases: Higher education's financial health appears to depend on the condition of the economy. When the economy suffers, unemployment rises, tax revenues decline, and state appropriations to institutions tend to either decline or fail to increase. At the same time, public demand for education increases. This pattern can be observed today throughout the nation.

Tuition pricing policies figure prominently in a state's strategies for financing higher education. When tax revenues fall, many states find it necessary to increase tuition rates. The American Council on Education conducted a recent survey, "Campus Trends, 1992" to determine the impact of financial pressures on colleges and universities. Eighty one percent of the public four-year institutions, and 67 percent of the public two-year institutions reported that they had taken short-term measures to increase tuition and fees. Similarly, approximately 60 percent of all public institutions surveyed indicated the likelihood of long-term reliance on increased tuition revenue.[13] Washington also is likely to consider tuition increases in the near future.

Tuition Pricing and Subsidies: Many argue that increasing tuition rates is good public policy. Since the individual is understood to be a primary beneficiary of postsecondary education, it is argued that those with adequate financial resources should pay a proportionally higher share of instructional cost through tuition.

When tuition is priced below the actual cost of providing instruction, it creates a subsidy for the student. Those who favor higher tuition policies contend that opportunity and equity will be furthered by adopting tuition strategies which target subsidies, through direct forms of need based student aid, to students lacking financial resources. This approach claims that low tuition as public policy is both inefficient and inequitable --- inefficient because a large number of students and families don't need the subsidy and inequitable because it spends more money on the middle class and the rich than on low income individuals.

The more traditional approach to tuition pricing distributes public subsidies broadly by maintaining low tuition. This approach views society as the primary beneficiary of public expenditures for postsecondary education and subsidizes the education of all enrolled students regardless of financial need. As one author points out, "To the proponents of this view, tuition increases signal an erosion to educational equity and opportunity for the poor and middle class who feel compelled to downgrade their educational choices or opt out of higher education altogether."[14]

The current value (1992-93 academic year) of a tuition subsidy in Washington is $6,858 for a student attending a research university; $5,154 for a student attending a comprehensive university; and $3,122 for a student enrolled in a community college. The averaged subsidy for all four-year institutions is $6,262; the averaged subsidy for all four-year and community college students is $4,545.

Comparison of the Share of Instructional Costs Paid by Resident Undergraduate Students and by the State 1992-93

	Instructional Cost	Paid by the Student	Paid by the State
Community Colleges	$4,121	$ 999	$3,122
Comprehensive Universities	$6,939	$1,785	$5,154
Doctoral Universities	$9,111	$2,253	$6,858

Higher Tuition - Implications for Student Aid: It is clear today from the experience of other states that a "high tuition" approach necessitates a "high financial aid response" if equal opportunity is to remain available for low income and disadvantaged students. While there is sentiment for need based student aid programs to rise consistent with tuition increases, this outcome isn't guaranteed in any state's budget process. Recently, Massachusetts and ten other states (Alabama, Arizona, Connecticut, Georgia, Iowa, Missouri, North Carolina, Rhode Island, South Carolina, and Tennessee) increased their tuition and fees for 1991-92 --- some by as much as 22 percent --- while cutting their student aid programs. Massachusetts increased its public institution tuition by 26 percent and cut its state student aid program funding by 48 percent.[15]

Washington has, over the years, forged a stronger link between tuition increases and financial aid funding than have other states. There is current legislative interest in modifying the state's tuition and fee structure. As tuition rates increase, it is critical that the state's historic commitment to access for low income students be continued through the provision of adequate financial aid for those who need assistance in order to pursue a postsecondary education. It is also critical that the state maintain a proper balance between institutionally-based student financial aid and statewide programs, recognizing the effect of each on college attendance patterns of the low income. This issue is covered in detail in Chapter Five of this paper.

Private Higher Education

Washington has a comprehensive system of higher education, comprised of both public and private institutions of postsecondary education. The roie of private colleges and universities in this state is especially important given the state's limitation on the number of funded enrollments in the public institutions. Private colleges enroll over 22,000 undergraduates per year and award over one-quarter of the baccalaureate degrees earned in Washington. This vital role in providing access to state residents is recognized by the Board's 1990 enrollment plan, *Design for the 21st Century*, which assumes continued enrollment growth in the private institutions through the year 2010. However, without financial aid, many low income students could not afford to attend a private college or university in the state --- which, with limited enrollments in the public institutions, may be their only option.

Public Purpose and Private Higher Education: The complementary role the private sector plays with the public sector in the provision of higher education was defined in the 1969 *Report on Higher Education in Washington State*, by the Temporary Advisory Council on Higher Education.[16]

> Private colleges and universities are providing educational programs, which, if they did not exist, would require an expansion of programs and facilities in the public institutions. To the extent that capacity in some of the existing private institutions is underutilized, institutions in the private sector might accommodate an increased number of students at a somewhat lower cost than might be the case if new staff and facilities were required to accommodate the same students at public institutions.[17]

The public purpose served by Washington's institutions of private higher education is clearly recognized and articulated in the 1983 Washington Higher Education Facilities Authority statute (RCW 28B.07.010):

> Washington's independently-governed private nonprofit higher education institutions are a necessary part of the state's higher education resources. They provide educational diversity and choice for all residents of the communities in which they are located, communities which may not otherwise be served directly by a public baccalaureate-granting college or university.

Role of Student Financial Aid: Student aid policy is an area of much interest and concern to independent institutions and to the students and families who choose those institutions. Provision of student financial aid has much to do with the affordability of these institutions for lower income students. And, as the Independent Solution Project in the State of California points out, aid received by students enrolled in private colleges and universities may also affect the financial viability of those institutions:

> The independent colleges and universities serve the people of the state well, yet their viability is financially threatened. Existing without direct state subsidies, they must largely pay their own way by charging tuition. The obvious way to enable students to overcome this tuition barrier is to provide compensating student financial aid for students with need. This obvious approach was once the clear and adequately implemented policy of state government. It is so no longer. Without such support, or its equivalent from the private sector, the amount and quality of the services the independent colleges provide to citizens of the state simply cannot continue.[18]

Student Aid - Furthering Access to Public and Private Institutions: The mixed character of public and private higher education continues to pose a basic problem for an "egalitarian student aid delivery strategy," as was noted more than 20 years ago by the Carnegie Commission.[19] The importance of private institutions to Washington's system of postsecondary education is not in question, but the role that state student financial aid policy plays in promoting student access to those institutions is, especially during periods of economic difficulty.

The prospect of budget reductions, public tuition increases and limited financial aid funds recently has prompted some to argue that the state's resources should fully meet the needs of students at public institutions before providing any measure of support for students attending private institutions. Others believe it is in the state's interest to provide financial aid funds to needy Washington residents attending private colleges as well, thereby assuring educational access for more state citizens, at less cost to the state than expanding public enrollments.

During the summer of 1991 and again during the 1992 legislative session, the public/private debate focused on the issue of the maximum State Need Grant payable to students

at private institutions. Although the Board affirmed its policy and specified the methodology to be used in calculating grant amounts in May, 1992, the issue is not yet resolved. A full discussion of this issue is included at the Board's request in the State Need Grant section of Chapter Four of this report.

Although the public/private debate has focused primarily on the State Need Grant program, it is important to note that the issue is not limited to that program. State policies relating to the awarding of aid to students attending private institutions must be thoughtfully developed and clearly articulated.

Ultimately, decisions to continue or limit state financial assistance to students attending private colleges must be determined in the context of broader policies regarding the role of private institutions in the delivery of postsecondary education. Washington student aid policy affecting private higher education can assist or hinder the state's access goals, particularly when public enrollments are capped. Similarly, state student aid policy governing the distribution of state funds to students attending private institutions should be thoughtfully considered and clearly stated. The politics of distribution should not determine policy; rather, policy should determine distribution.

Chapter Four

Programs: Implementing Policy Directions

INTRODUCTION

The benefits of an educated citizenry, to society and to individuals, are widely recognized. Postsecondary education provides a critical link to employment and career opportunities, to the development of individual potential and the strengthening of the state's economy. For individuals without adequate financial resources, some form of governmental assistance is necessary in order to ensure access to higher education and training opportunities.

The population of Washington continues to grow at a steady pace. The number of 17-25 year old state residents is growing dramatically, with clear implications for college enrollments. At the same time, the number of adults requiring training and retraining is also increasing. Demographers forecast a significant increase, over the next several years, in the number of the state's population living in poverty. And, moderate income families are finding it increasingly difficult to afford the rising cost of postsecondary education.

As the state plans for enrollment and educational offerings for the next several years, it must also continue to plan for the affordability of a college education for low and middle income individuals. Access to higher education is a matter of equity --- and, for needy and disadvantaged students --- financial assistance is critical to access.

The preceding parts of this paper define issues affecting access to and affordability of college: availability of aid, college costs, enrollment pressures, population trends and higher education policy relationships. This part of the paper focuses on state funded student financial aid programs. The following discussion and policy recommendations address those areas of the state's program of student financial aid currently in need of policy review and guidance. Not all programs are discussed, only those which contain recommendations for Board action.

WASHINGTON STATE NEED GRANT PROGRAM

Program Description: The State Need Grant (SNG) program, designed to serve low income students, was authorized by the Legislature in 1969 and has become the state's largest student aid program. Approximately 20,000 students were aided by this program during the 1991-92 academic year with $21.2 million in state funds. The Board approved the current program design in 1988 and reaffirmed program policies in May, 1992.

Student eligibility for the grant is determined on the same basis by all institutions. Currently, student eligibility for the grant is limited to undergraduate state residents and is based on the family's ability to contribute to each year's college costs, as calculated through a modified "Congressional Methodology (CM)." CM is the formula mandated by Congress to determine federal student aid eligibility. Essentially, students who have a calculated expected family contribution of $900 or less are eligible for a State Need Grant. Nearly all students currently eligible for a State Need Grant have family incomes below 65 percent of the state median family income level (based on family size) and approximately half have incomes below the poverty level. Approximately 37,000 to 38,000 students are eligible under current 1992-93 eligibility criteria, but program funding is sufficient to meet the needs of only half the eligible students.

The maximum grant for any eligible student equals 15 percent of the student's cost of attendance minus the student's expected family contribution. Therefore, individual student awards vary based on both the cost of attendance and the family's ability to contribute.

STATE NEED GRANT COST OF ATTENDANCE AND MAXIMUM GRANTS 1992-93

	CTC	COMPREHENSIVE	DOCTORAL	PRIVATE*
Standard Sector Cost of Attendance	$7,963	$8,749	$9,239	$13,783
Maximum Base Grant (15% of COA)	$1,194	$1,312	$1,386	$ 2,067

*Private cost of attendance limited by interpretation of "statutory ceiling."

In addition to being cost sensitive, the current program grants eligibility to part-time students, allows a supplement to the base grant for students with dependents in need of care, and permits students to receive grants for up to five years.

The Board is being asked to review five State Need Grant policies: 1) simplification of program eligibility criteria; 2) priority for service to low income students before expansion of eligibility to middle income students; 3) construction of the "statutory ceiling" which limits the amount of private college costs that can be recognized and the subsequent private college student's grant; 4) limitation of eligibility to undergraduate students; and 5) institutional vs. statewide determination of student eligibility.

Simplification of State Need Grant Program Eligibility Criteria

Current criteria define the eligible State Need Grant student as one who has a calculated expected family contribution of $900 or less, using a modified federal need analysis formula. It is rarely possible for a student or average citizen to determine his or her eligibility without extensive experience in need analysis.

Most citizens believe that income alone determines student aid eligibility and often ask, "at what income level do I become eligible?" Legislators ask how much it will cost to fully fund a program targeted to students from low income families, or from lower-middle income families, or from middle income families. In each case current SNG eligibility criteria require a detailed and complex response explaining that eligibility depends on many factors. The description of eligibility and the calculation of cost could be simplified if the Board adopted an income cutoff eligibility standard. An income eligibility standard also would improve the state's ability to target money to low income students.

Staff research indicates that a simple income cutoff eligibility criteria can be substituted for the current complex need analysis criteria. This substitution can achieve the public policy goals of substantially improving the public's understanding of the program, reduce institutional administrative workload, and "decouple" state policy from changes to federal need analysis criteria. This change can be accomplished without sacrificing confidence in the ability of the program to target the same priority population of low income, disadvantaged students served under current eligibility criteria.

Response to Changes in Federal Law: The proposal to move to an income cutoff is, in part, a response to changes in federal law governing need analysis. In the 1992 Reauthorization of the Higher Education Act, Congress modified its need analysis system to expand eligibility to many more middle income families. It did so by disregarding many common family assets such as home equity. This lowers expected contributions toward college costs from most families and students and makes it difficult to differentiate between low income and lower middle income families. Congress did not set any priorities among eligible students nor did it appropriate more funds to cover the increased needs of students (although it raised student loan borrowing limits). Congress also mandated the use of a common financial aid application form and eliminated the questions necessary for states or institutions to make their own need calculations. Collection of the missing information would impose an additional burden on students, families and schools.

The effect of the reauthorized need analysis on SNG eligibility adds another reason for the Board to consider a redesign of this program. The new federal need analysis methodology would increase the "need" of many currently eligible students and enable approximately 1,500 more students to become eligible for the grant at an additional cost of between $2.5 and $5.0 million. It will also make it much more difficult for program administrators to differentiate between low income and lower middle income families. Current Board policy requires that State

Need Grant funds be targeted to the lowest income students. Modifying the method by which eligibility for a SNG is determined ensures that state policy will not be undermined by Congressional changes. Staff have been advised by the Office of the Attorney General that the proposed State Need Grant changes are permissible under the existing SNG program statute.

Use of Median Income Standards: Staff research indicates that essentially the same population of students could be identified through a simple income test. The same number of currently eligible students, and in the same relative proportions of students by dependency classifications (i.e., students who are dependent upon their families, independent, or students with children, etc.), can be achieved by establishing an income cutoff equal to 65 percent of the state's median family income.

The state's median family income is a standard developed and revised annually by the Census Bureau. The median income varies according to the number of family members. If the 65 percent of median family income standard had been applied this year, the income cutoff would have been approximately $25,500 for a family of four. Given the large number of SNG families with very low incomes, the average parental income for all dependent students eligible for the SNG would remain about $16,000.

Use of an income cutoff to identify eligible students would not require changes in other program policies. Other features would remain unchanged, including a cost sensitive and variable award, the eligibility of part-time students, a supplemental dependent care allowance, and a maximum five years of eligibility.

> Note: The following recommendation was first presented to the HECB in November, with Board action tentatively scheduled in January so that changes could be implemented prior to the calculation of financial aid awards for the 1993-94 academic year. Emergency rules were adopted by the Board on January 28, 1993, with permanent rules adopted at the Board's meeting on March 11, 1993.

Recommendation #1: *Given that income alone can adequately describe the currently eligible State Need Grant population, the Board adopts an income cutoff of 65 percent of median family income as the standard for student eligibility in 1993-94, replacing reliance on federal need analysis criteria for computing State Need Grant program eligibility and grant amounts.*

State Need Grant Target Population: Low Income vs. Middle Income Students

The SNG program has traditionally been targeted to the state's low income students and families. The Board reaffirmed this policy last May. Recent events, including the federal Reauthorization of the Higher Education Act and proposed state student aid legislation, indicate interest in extending eligibility to middle income families.

College costs have substantially increased over the past ten years and may increase more if tuition goes up in response to state budgetary concerns. There is no debate that financing the increased costs of higher education falls heavily on the middle income family for whom there are few student aid sources to assist with the burden.

If middle income students were made eligible for the State Need Grant program, approximately 12,000 more students would qualify, in addition to the current pool of 38,000 low income. Yet funding is sufficient to serve only about 20,000 students in 1992-93.

Extending eligibility to students from higher income levels without substantially increased funding would mean that a progressively lower percentage of currently served eligible applicants would actually receive awards. If all students were equally eligible, this could seriously disadvantage very low income students.

Low income students are usually without the family and peer support which makes college attendance a commonly understood option to those from middle and upper income families. As a result, low income students often make the decision to attend college later than middle income students; consequently, they apply later for financial aid. When financial aid is limited and most aid is awarded on a first-come/first-served basis, the later applicant is frequently left without adequate assistance, regardless of need, or with larger loan obligations than is prudent.

Demographic projections show that the proportion of low income students seeking access to postsecondary education will continue to grow. Without adequate aid, this population cannot enroll, or having enrolled, cannot complete their degrees. Without adequate education, research confirms that these students and their families are in jeopardy of remaining in poverty.

State policy that continues to target and assign first priority for State Need Grants to low income students, adding middle income students only after the low income are served, ensures that equal opportunity will be offered to those least able to pay. This policy recommendation assumes that equity for low income students continues to be the state's first priority for this program. If adopted, the priority order for funding would be:

Proposed SNG Program Awarding Priority			
Priority	**Population**	**% of Median Family Income**	**# of Eligible Students**
1	Lowest Income	0 - 65%	38,000
2	Low Income	66 - 75%	3,000
3	Lower Middle Income	76 - 100%	6,000
4	Middle Income	101 - 125%	3,000
		TOTAL	50,000

Recommendation #2: *The Board reaffirms its current State Need Grant program policy of giving first priority to eligible low income students (up to 65 percent of median family income). Additional categories of eligible students will be incorporated only after funding for the previous priority has been appropriated.*

The Board also recommends that: second priority be given to low income students with family incomes between 66 percent and 75 percent of the state median income; third priority be given to lower middle income students between 76 percent and 100 percent of the median; and fourth priority be given to upper middle income students between the median and 125 percent of the state median family income.

Establishing the Value of a Private College Student's State Need Grant - 1993-94

Considerable controversy has surrounded the policy of recognizing the higher cost of attendance paid by private college students and consequent funding of higher grant awards than those received by public college students. The Board addressed aspects of this issue in May 1992, but asked to revisit the issue in the context of this policy study. Should there continue to be a differential in the value of the grant provided to private and public students? If so, should the Board revise its methodology for implementing the current "statutory ceiling" (RCW 28B.10.808[4])?

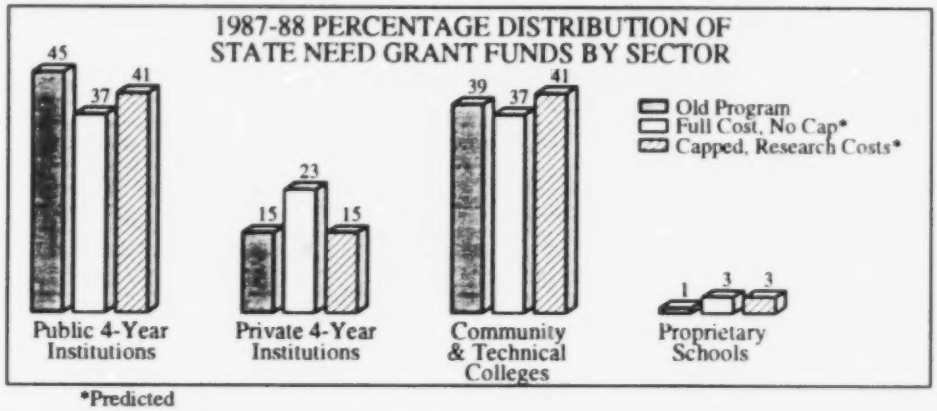
History of Policy Changes/Funding Distribution: For many years, the State Need Grant awarded a single flat grant amount to each recipient. In 1988 the Board modified several features of the program, including the establishment of variable grants which were sensitive to the students' representative costs of attendance in each sector. Board policy at that time clearly intended to recognize the full cost of attendance of students attending private institutions, as it did for students in the public sector.

In making that change, the Board acknowledged that recognizing the full cost of attendance at all schools would result in a change in the distribution of SNG funds among sectors. The June 1988 Student Financial Aid Policy paper predicted that public four year college students would receive approximately 37 percent of all SNG funds under the proposed program, compared to 45 percent under the old program; community and technical college students would also receive about 37 percent, compared to 39 percent under the old program; private college students would receive about 23 percent of all SNG funds in the proposed program, compared to 15 percent under the old program, and students attending proprietary schools would receive three percent in the proposed program, compared to one percent under the old program.

In the first year of new program implementation, legislative budget conferees attached a proviso to the 1989-91 Appropriations Act to "cap" the award so that private college students could not receive grants in excess of the amounts given to public research university students. The 1988 policy paper had predicted that such a cap would result in public four year college

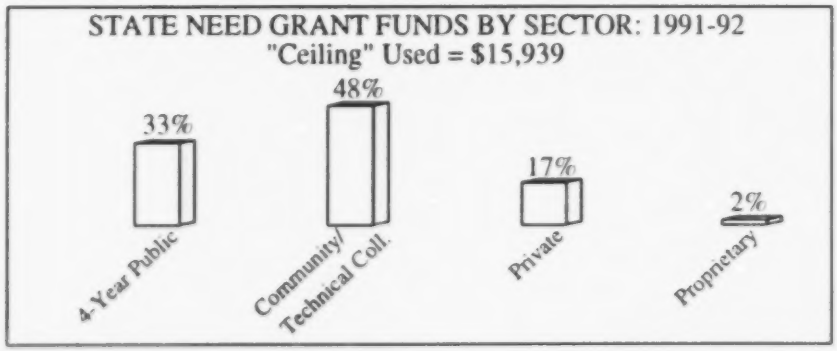
students receiving 41 percent of all SNG funds; community and technical college students about 41 percent; and private college students 15 percent.

The following chart illustrates the actual distribution of State Need Grant funds by sector during the 1987-88 academic year compared to the predicted distribution using full costs, and with costs capped at the public research institution level.



In the second year of the modified program, 1991-92, legislative budget conferees removed the proviso language, and hence the "cap," from the new budget. Staff then implemented the 1988 Board policy by authorizing higher awards for private college students. Taking into account the Board's policy recognizing the full cost of attendance as well as the SNG statute's limitation on the total amount of costs which can be recognized, staff used what was believed to be the highest legally permissible construction of the State Need Grant "statutory ceiling" imposed on private college cost of attendance calculations. These calculations are more fully discussed in the text which follows.

Thus, for the 1991-92 academic year, staff recognized $15,939 as the maximum private college cost of attendance (below the actual average of $17,190.) The following distribution occurred as a result of the Legislature's action and staff calculations.



The "Statutory Ceiling" Computation: In authorizing higher grant awards for 1991-92, staff considered a long-standing, but never before implemented, statutory provision that limits the amount of private college costs that can be recognized by the SNG program. Referred to as the "statutory ceiling," it reads:

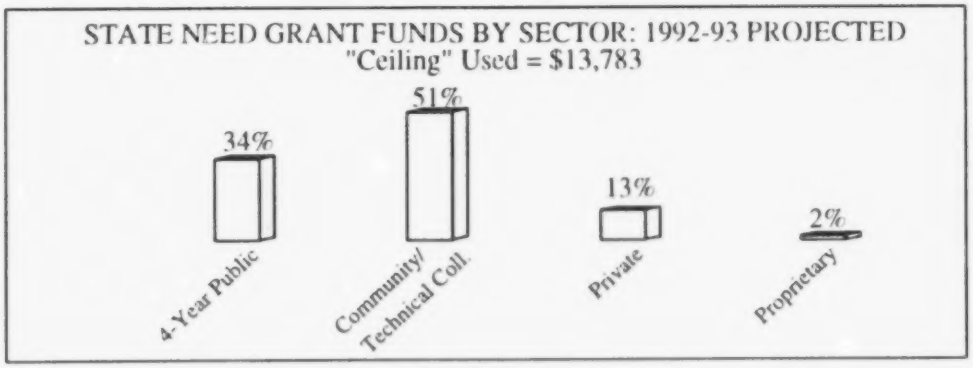
> In computing financial need the board shall determine a maximum student expense budget allowance, not to exceed an amount equal to the total maximum student expense budget at the public institutions **plus the current average state appropriation per student for operating expense in the public institutions.** (Emphasis supplied, RCW 28B.10.808[4])

Essentially, the "statutory ceiling" is calculated by adding a student's maintenance budget for non-tuition and fee costs, plus public college or university tuition and fees, plus the current average state appropriation per student for operating expenses in the public institutions.

Because the statute fails to specify either the level of tuition and fees to use in the calculation or the methodology to calculate and apply the value of a state subsidy, a range of possibilities and values existed for constructing this ceiling from a low of $11,085 for 1992-93 to a maximum of $16,096. As was illustrated above, the selected construction significantly affects distribution of program dollars among sectors.

Regardless of how the ceiling was calculated, it always resulted in a lower recognized cost of attendance than actually paid by private college students. Recognizing the inherent conflict between the statutory ceiling and Board policy, staff chose, after consulting with the Attorney General's Office, to calculate the maximum legally permissible ceiling.

This action sparked considerable controversy about both the calculation of the ceiling and whether or not higher grants for private college students should be authorized at all. After extensive public testimony, staff recommended and the Board adopted a statutory ceiling of $13,783 for 1992-93. The following distribution is expected during the 1992-93 academic year.



Even at the $13,783 amount, which was lower than that used in 1991-92, the private college ceiling was approximately $4,500 higher than the costs recognized for students in the public research sector. This resulted in a difference of approximately $700 between the maximum annual award available to a research university student and the maximum grant available to a private sector student.

At the May 1992 Board meeting in which the current statutory ceiling was established, the Board acknowledged that it had the flexibility to set either a higher or lower ceiling than the one selected by choosing either a different subsidy and/or a different tuition and fee amount. (The Board agreed not to vary the non-tuition maintenance allowance, based on the student expense budget developed annually by the Washington Financial Aid Association [WFAA]).

RANGE OF COSTS AVAILABLE TO CALCULATE THE "STATUTORY CEILING"

Statutory Ceiling =

Maintenance Allowance		Tuition & Fees		Subsidy
WFAA = $6,964*		Research = $2,274* OR		Research = $6,858 OR
		Regional = $1,785 OR		Regional = $5,154 OR
	+	CTC = $ 999 OR	+	CTC = $3,122 OR
		4 Yr Ave = $2,030 OR		4 Yr Sector = $6,262 OR
				All Sector Ave = $4,545*

*Indicates the figures selected by the Board in May 1992 for use during the 1992-93 year.

Different subsidies or tuition rates generate several possible ceilings, ranging from $11,085 to $16,096, and resulting in maximum grant amounts for students at private colleges ranging from $1,663 to $2,414, as the chart below illustrates.

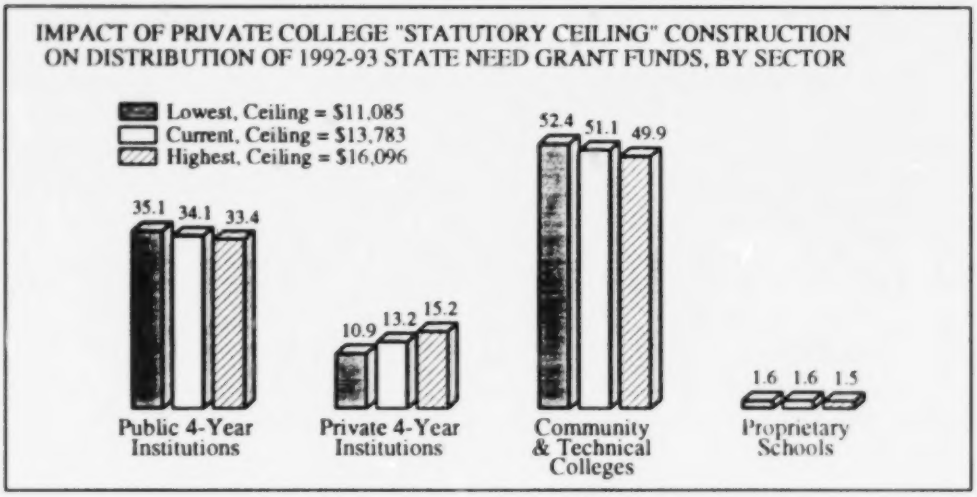
REPRESENTATIVE RANGE OF OPTIONS FOR CALCULATING THE 1992-93 STATE NEED GRANT COST OF ATTENDANCE FOR PRIVATE COLLEGE STUDENTS (THE "STATUTORY CEILING")			
	LOWEST	**92-93 BOARD APPROVED LEVEL**	**HIGHEST**
	T & F = CTCs Subsidy = CTCs Maintenance = WFAA	T & F = Research Subsidy = All Sector Average Maintenance = WFAA	T & F = Research Subsidy = Research Maintenance = WFAA
Subsidy	$ 3,122	$ 4,545	$ 6,858
Tuition	999	2,274*	2,274*
Maintenance	6,964	6,964	6,964
"Statutory Ceiling" (For Private College Students)	11,085	13,783	16,096
Maximum Grant (For Private College Students)	$ 1,663	$ 2,067	$ 2,414

*Subsequent to Board action adopting the 1992-93 ceiling, the research university tuition and fees were lowered by $21 to $2,253. For purpose of this paper, the same tuition level has been assumed as was used by the Board to calculate the current ceiling.

Opponents of higher grants to private college students contend that attendance at independent, rather than public, institutions is a choice for which the student should bear responsibility for all additional costs. Because funding is insufficient to serve all eligible public college students, opponents argue that students choosing to attend private colleges should not receive grants until all eligible students attending public institutions have been awarded.

Proponents of higher grants to private college students contend because of public enrollment lids, private colleges are the only option available to many low income students. They argue it is less expensive to provide aid to enable a student to attend an in-state private institution with available capacity than to fund additional enrollment opportunities at public institutions. Furthermore, proponents note that students who are eligible for the SNG and enroll in private sector colleges are, by virtue of family income, identical to SNG eligible students enrolled in public institutions, except that they are eligible for larger awards to meet higher costs.

The following chart demonstrates the impact on SNG funding distribution using various statutory ceiling calculations.


IMPACT OF PRIVATE COLLEGE "STATUTORY CEILING" CONSTRUCTION
ON DISTRIBUTION OF 1992-93 STATE NEED GRANT FUNDS, BY SECTOR
Lowest, Ceiling = $11,085
Current, Ceiling = $13,783
Highest, Ceiling = $16,096
35.1 34.1 33.4
10.9 13.2 15.2
52.4 51.1 49.9
1.6 1.6 1.5
Public 4-Year Institutions
Private 4-Year Institutions
Community & Technical Colleges
Proprietary Schools

Clear policy guidance is needed from the Board to establish the methodology to be used in the private college cost of attendance calculation for 1993-94 and subsequent years.

Recommendation #3: *The Board reaffirms its policy to award variable State Need Grants, including higher awards to private college students, based on higher costs. The Board also retains use of the 1992-93 methodology for calculating the statutory ceiling in 1993-94 and subsequent years. This methodology employs use of the Washington Financial Aid Association maintenance budget, research university undergraduate tuition and fees, and the average state subsidy among all public sectors.*

State Need Grant Eligibility and Graduate Students

Graduate study provides a significant benefit to both students and society. Students benefit through increased access to professional positions in the workforce with generally higher levels of compensation. Society benefits through the leadership and productivity of highly trained personnel. Should the Board maintain its current SNG policy of awarding grants to undergraduate students only? Or should the Board expand the eligible population to encompass graduate students?

Although the statute does not limit eligibility to undergraduates, the State Need Grant program has never extended eligibility to graduate students. Instead, need based student aid for graduate students is limited to loans and subsidized work programs, including State Work Study (SWS). No federal or state need based grant program is available to graduate students. A substantial amount of non-need based aid is available in the form of assistantships, waivers, and scholarships and a small amount of state-funded conditional scholarships (loans forgiven in return for specific kinds of service) are also available for teachers and certain health professionals.

Three considerations argue against extending State Need Grant eligibility to graduate students. First, graduate students have already earned a baccalaureate degree. Second, graduate degree holders are usually better able to handle the burden of loan indebtedness than are students without baccalaureate degrees. Lastly, the current SNG program serves only half of the 38,000 currently eligible undergraduate students. Without an appropriation sufficient to support the additional graduate students, adding that population would impact the number of undergraduate students served by the program.

Recommendation #4: *The Board reaffirms its current State Need Grant program policy which gives priority to undergraduate students within available funding, and continues to rely upon State Work Study, loan, scholarship, waiver, and assistantship programs to support graduate students.*

State Need Grant Program Administration

Institutions have available a variety of federal and state grant and tuition waiver programs through which they meet their students' financial need. While most of the programs offer a considerable amount of flexibility in recipient selection and awarding, others, such as the federal Pell Grant and the State Need Grant are awarded on the basis of federal or state criteria which are consistent from one institution to another.

Since its inception, the State Need Grant has been awarded to eligible students on the basis of their need, relative to the need of all other students statewide. Eligible students may use their grants at any participating accredited institution. Specific student eligibility criteria and grant amounts are established by the Board, with award determinations made on the same basis by all participating institutions. The amount of State Need Grant funding available for students at each institution is directly proportional to the number of SNG eligible students who attended that institution during the prior year. Recipient identification, fund distribution, and other administrative procedures are locally administered by participating institutions. The establishment of statewide eligibility criteria and grant amounts ensure that the state's neediest students will qualify for State Need Grants and that award amounts will be calculated on the same basis regardless of the institution they choose to attend.

Some institutions have evidenced recent interest in further decentralizing the State Need Grant awarding process, suggesting that the state allocate a block of funds for financial aid to each institution, and allow the school to select which needy students it will serve within its role and mission and local awarding priorities. If student eligibility were established by each institution, or if the allocation of funds were determined by an enrollment-based formula, the distribution of SNG awards would differ significantly from current practice, since some institutions enroll a higher proportion of needy students than others. The distribution of parental incomes of dependent students who applied for financial aid at public institutions in 1991-92 is shown below.

Distribution of Parental Incomes of Dependent Students Who Applied for Financial Aid in 1991-92 (Based on 1991 Parental Income)

	Cumulative Percentage Totals			
% of Median Family Income	Research	Regional	Comm/Tech	Total
Under 30%	12%	10%	27%	17%
Under 60%	27%	25%	50%	35%
Under 100%	56%	56%	80%	64%

Source: HECB 11/9/92

For example, as indicated above, 27 percent of the dependent students attending research universities have parental incomes less than 60 percent of the state median family income.

Another alternative which has been suggested is that additional student financial aid which results from tuition increases be allocated to the public institutions in the same proportion in which it is collected. The following table, prepared and included in this report at the request of members of the Board, illustrates the difference in distribution which would occur if a $10 million increase in financial aid were allocated based on statewide relative need, as used by the State Need Grant program (Model 1), compared to a distribution formula based on a percentage of tuition and fees collections at each institution (Model 2). The final column illustrates how much each institution/sector would gain or lose if the distribution of new financial aid revenues were based on a percentage of tuition and fees collected, compared to the 1992-93 State Need Grant formula --- the current method used for distribution.

DISTRIBUTION OF FINANCIAL AID FROM TUITION AND FEES INCREASES

A Comparison of Two Models Showing a $10 Million Increase

Public Institutions Only

Institutions	Financial Aid Generated from Tuition Collect.	Model 1 Distrib. Based on SNG Need	Model 2 Local Reten. of SFA $	Variance from Current Method Using Model 2
UW	$3.1M	$1.2M	$3.1M	+ $1.9M
WSU	$1.6M	$ .8M	$1.6M	+ $ .8M
CWU	$ .4M	$ .5M	$ .4M	(-) $ .1M
EWU	$ .5M	$ .8M	$ .5M	(-) $ .3M
TESC	$ .3M	$ .2M	$ .3M	+ $ .1M
WWU	$ .6M	$ .5M	$ .6M	+ $ .1M
CTCs	$3.5M	$6.0M	$3.5M	(-) $2.5M

Recommendation #5: *The Board reaffirms its belief that needy students and the state are best served through the current administrative structure governing the State Need Grant program, which establishes student eligibility and grant amounts on a statewide basis and targets students with the greatest need, regardless of the institution they attend.*

STATE FINANCIAL AID FOR STUDENTS ATTENDING PRIVATE INSTITUTIONS

In recent months, some have questioned whether needy students attending private institutions should be eligible for state-funded financial aid and if so, how much of the students' cost of attendance should be recognized. Although the debate has focused primarily on the cost of attendance to be used in calculating State Need Grant awards for students attending private institutions, similar questions have been asked about how much cost should be recognized for other state financial aid programs, as well.

The statutory limitation on the amount of the cost of attendance which can be recognized in calculating the value of State Need Grants is specific to that program. Although there is no

similar language included in the state laws governing any other state-funded financial aid programs, some have argued that the SNG limitation should apply to all state programs.

This issue has surfaced most recently with regard to the distribution of State Work Study program funds, and was also raised in public comment in response to the student financial aid policy study draft report. To answer these questions definitively, Board policy relating to the awarding of aid to students attending private institutions must be clearly articulated.

Recommendation #6: *The Board reaffirms student financial aid policies which enable low and middle income students to access private institutions for reasons of enrollment opportunities, academic program, or geographic proximity.*

Specifically, the Board reaffirms use of HECB-approved private college cost of attendance calculations for administration of state student financial aid programs where not otherwise prohibited by program statutes.

WASHINGTON STATE WORK STUDY PROGRAM

Program Description: The State Work Study (SWS) program, authorized in 1974, is the state's second largest aid program, providing $17.1 million (including employer's share) in funding for an estimated 8,300 recipients in 1991-92. It was the second such state program to be authorized (Colorado was first) and is today the largest and most widely acclaimed state work study program in the nation.

Eligible students earn money for meeting college costs by working in part-time jobs related to their academic study. Participating employers are reimbursed for a significant portion of the students' wages. In first authorizing the program, the Legislature intended that middle income students and low income students be served by the program, and current rules give middle income students some priority in funding.

The program serves several purposes. It supports graduate assistantships; it funds literacy tutors and other community service employment opportunities; it provides work in the institutional setting to students who can benefit from a work study experience on campus; and it provides for practical career-related work experience in some 2,700 off-campus job sites in both nonprofit and profit seeking business entities.

The program forges a practical partnership among several parties: business and industry, higher education, government, students and their communities. Off campus employers (business, industry and community service organizations) hire students to augment their regular work force, often auditioning talented future career employees, and receive reimbursement from the state for up to 65 percent of student wages paid.

Academic institutions benefit in several ways. Participating students test classroom theory on the worksite; institutions have an additional source of aid to offer needy students. Public institutions may also hire SWS students to work on-campus in academically or career related positions, providing administrative support to the college while conveniently accommodating work within a student's classroom and study schedule. The State Work Study program reimburses public institutions for 80 percent of student wages paid through this program.

The state benefits, particularly with off-campus employers, because of the required match: every dollar appropriated for SWS off-campus leverages $1.54 in wages. The benefit to students is obvious -- they are able to earn money for school, often as an alternative to borrowing, while gaining valuable work experience. The community benefits when SWS students are employed in nonprofit community service agencies.

Program utilization varies significantly by institution type and location. While public colleges and universities use 90 percent of their SWS funds on-campus, private colleges must place all students off-campus. Where a public institution in a nonurban setting, like Central Washington University, might locate SWS placements primarily on campus, an institution in a busy urban area, like Seattle University, has additional opportunities to place their SWS students in off-campus business, industry or community agency positions.

The program also promotes other academic values including persistence. National research demonstrates that college students who are employed between ten and 19 hours per week are much more likely to persist in their academic programs than non-working students. Also, when work is related to a student's academic program or career aspiration, there is a greater likelihood that the student will stay in school to degree completion.

Research Findings - Relationship of Work to Career Goal or Academic Program: Another important feature of the SWS program is the requirement that the job placement should be, to the extent possible, related to the student's academic study or career exploration. Washington has one of only seven programs in the nation with this specific feature. To ascertain the student-perceived value of educationally-related placements, a study was undertaken by the California research firm of MPR and Associates under contract to the HECB. The study measured the impact of the SWS program on recipients' career selection, educational plans and employability after graduation. Telephone interviews were conducted with over 4,000 former State Work Study graduates. Briefly, the findings showed:

- Over 86 percent of respondents felt that their SWS experience was either "very helpful" (48 percent) or "somewhat helpful" (38 percent) in preparing them for a career.

- Fifty-seven percent of those surveyed reported that work in SWS placements had influenced their career goals, especially for juniors, seniors and graduate students.

- Another 25 percent said that SWS experience had influenced their educational plans.

- One-half of the SWS employers surveyed in the study said the work study experience had been a factor in the decision to hire that employee. Fifty percent of these same employers said they "rarely" or "never" hired recent college students with no previous work experience.

- Seventy-nine percent of former SWS recipients reported that they used skills learned in SWS placements in jobs after graduation. And 50 percent of respondents believed that the skills they learned in SWS jobs had (or would) help them advance in their careers.

- More than 75 percent of the respondents said they would have had to take out a loan, or a larger loan, without the work study opportunity.

State Work Study Program Target Populations

Student eligibility for State Work Study is based on financial need, but, unlike the State Need Grant program, it is not limited to the neediest students. Following legislative intent expressed at the time the statute was adopted, program design and administrative rules encourage inclusion of middle income students who choose to work rather than assume a larger loan burden. This program currently complements the SNG program by offering some "self help" assistance to middle income families.

In its 1988 student aid policy study, the Board endorsed continued expansion of the SWS program to provide employment opportunities for those students who elect to work, rather than borrow, as a means of paying for a portion of their cost of attendance. The Board did not address the priority among students to be served, assuming value for all eligible students.

In recent months, some administrators have suggested that low income students be given priority in the awarding of State Work Study funds. Such a change in priority would affect the recipient population and would also redistribute program funds among sectors.

Recommendation #7: *The Board retains its policy of serving both low and middle income students through the State Work Study program.*

Academic/Career Related Work Experience

As a result of the Board's support of the SWS program, Washington's program has earned a national reputation. Current research endorsing work study experience in promoting student persistence; national recognition of the value of community service placements; and recent research suggesting that SWS helps students obtain and succeed in employment upon graduation, indicate that the program holds much promise.

The MPR and Associates Study reinforced the value of academically and career related experience for State Work Study students. This career and academic relationship is one of two statutory goals for the program. The value of such work experience has been tested and affirmed; staff must now work with institutions to devise new ways of strengthening that relationship.

Recommendation #8: *The Board will undertake a study of the State Work Study program by December, 1993, to ascertain the extent to which student work experience is academically or career related, and to identify ways in which this relationship can be strengthened.*

Community Service Placements

Several off-campus community service organizations employ SWS recipients. The Board has made innovative use of SWS program funds to support selected community service placements by providing the required 35 percent match with federal State Student Incentive Grant (SSIG) funds, benefiting both students and the community.

Washington state's efforts were recognized by Congress during the recent Reauthorization of the Higher Education Act, S. 1150. During discussions related to a review of the federal State Student Incentive Grant (SSIG) program, concern was expressed that the program was at a virtual standstill across the nation. However, Washington state was recognized as having demonstrated creative use of the SSIG program:

> One bright exception to this is the initiative taken by Washington state to implement a major community service project with some of its SSIG funds. Such programs were encouraged by the special community service provisions added in the 1986 reauthorization, and the Committee applauds the ingenuity taken by Washington in this regard.

Two examples of current SWS community service placements include the Federal/State Work Study Adult Literacy Project, which helps combat illiteracy by employing students to work as tutors for adult literacy agencies at little or no cost, and COMP (College Opportunities

Mentorship Program), which employs students to serve as mentors to help raise the educational aspirations of Hispanic and Native American residents.

The success of the community service program placements has been dramatic. However, the amount of federal SSIG funds which can be dedicated toward employer match is limited. A substantial additional number of community service agencies that provide important benefits cannot participate in the program because they cannot afford to meet the 35 percent match currently required of off-campus employers.

To encourage the participation of off-campus community service organizations in the State Work Study program, the draft report recommended that the Board authorize reducing or eliminating the matching requirement for a limited number of off-campus community service placements. (Reducing the matching requirement would require a regulatory amendment; elimination of the matching requirement would require an amendment to the SWS statute.)

Given changes included in the Reauthorization of the Higher Education Act which require that a portion of each institution's federal work study funds be used to support community service placements, and other national initiatives under discussion, staff have modified the preliminary recommendation. The modified recommendation would permit a reduction -- but not elimination -- of the matching requirement for a limited number of off-campus community service placements. Community service organizations which offer exceptional placements, but which cannot provide the required match, could be assisted through a limited use of federal SSIG funds, or perhaps through the use of federal work study funds as the employer match.

Recommendation #9: *The Board should modify State Work Study regulations, authorizing institutions the discretion to reduce the employer share for designated categories of off-campus community service agencies from the current 35 percent to no less than 20 percent. In addition, the Board should authorize the use of a limited amount of federal SSIG funds to provide all or a part of the employer match for community service organizations which cannot provide the required match but which offer exceptional placements. Finally, the Board should consider amending SWS regulations to permit institutions to use federal work study funds as the employer match for off-campus community service placements, under conditions to be specified by the Board.*

Partnerships and State Work Study

Washington has a strong tradition of voluntary partnerships among educational institutions, public schools, community service agencies and the federal government. Currently the Board supports service learning by providing funding incentives to institutions for placing State Work Study students in community service positions and by funding institutionally created service projects and opportunities. As noted previously, many of these program initiatives are

made possible through the use of the federally funded State Student Incentive Grant (SSIG) program. Washington is the only state thus far to use a share of SSIG funds in this way.

The 1992 Reauthorization of the Higher Education Act authorized several new community service initiatives to be undertaken in partnership with states and higher education institutions. Washington's state student aid program statutes, and state laws governing budgeting and accounting, provide the flexibility necessary to leverage federal funding to achieve state goals. The state has already successfully entered into partnerships with the federal government through the SWS/CWS (federal) adult literacy program and SWS/SSIG (federal) community service program.

While Congress did not fund any of the newly authorized initiatives this fall when it passed the FY 1993 budget (governing 1993-94 student aid programs), the Department of Education is currently drafting rules for certain newly authorized programs. The Board's creative use of SWS program funds to support community service placements positions this state to be competitive in attracting the award of additional funds, if they become available.

Recommendation #10: *The Higher Education Coordinating Board authorizes staff, through creative use of existing program statutes and administrative procedures, to pursue federal funding through community service program initiatives recently authorized by the 1992 Reauthorization of the Higher Education Act, and to include schools and colleges in these partnerships wherever possible.*

EDUCATIONAL OPPORTUNITY GRANT PROGRAM

Program Description: The Board's 1990 enrollment plan, *Design for the 21st Century*, proposes to increase higher education participation at the upper division and graduate level to the 70th percentile in national participation rates by the year 2010. Critical to meeting that goal is full utilization of available capacity at all existing institutions, both public and private. Branch campuses were to respond to additional needs, but only after existing enrollment capacity was fully utilized.

It is in that context that the Educational Opportunity Grant (EOG) program was established, the main purpose of which is to provide financial assistance to students residing within a branch campus service area who elect to attend Washington public or private institutions with unused enrollment capacity. The EOG program was one of several alternative delivery strategies considered by the Board in developing target enrollment levels at the branch campuses.

The EOG program was created by the Legislature in 1989, as part of the branch campus legislation. The program proposed to test whether a $2,500 grant would provide an incentive to financially needy placebound citizens to complete their baccalaureate education at public or

private institutions with existing capacity. The grant is not available to students who attend branch campuses since the purpose of the program is to direct students to institutions with unused enrollment capacity and potentially save state funds by limiting the size of the branch campuses.

To qualify for the grant an individual must be a Washington resident who also is "placebound." An individual is believed to be placebound if his or her permanent residence is located in an area to be served by a branch campus and who, because of family or employment commitments, financial need, or other similar factors, is presumed unable to complete the junior or senior year of a baccalaureate degree without the grant. In addition, recipients must attend an eligible institution at least half time, be upper division students, and evidence financial need. Other restrictions also apply. The eligible student may not have been enrolled during the prior academic year at the institution the student plans to attend with the receipt of the grant and may not be involved in a program that includes any religious worship, exercise or instruction or the pursuit of any degree in religious, seminarian, or theological studies.

The program is currently in its third year of operation. In 1989-90 the program was funded at $500,000; for 1992-93, the program is funded at $1,000,000. Approximately 78 percent of the funding is awarded to students choosing private institutions, the remainder to students attending eligible public institutions.

Expanded Program Eligibility

When initially authorized, the program was intended to serve as one of several alternative strategies to increase upper division educational opportunities. While a comprehensive evaluation of the program's effectiveness has not been undertaken, the program appears to be successful.

However, its applicant pool is restricted by the statutory requirement that a student, in order to be eligible, reside within a branch campus service area. There are equally needy, placebound individuals residing within more rural areas of the state. These students are currently excluded from the program. An effort to expand program eligibility to encompass placebound individuals residing outside the branch campus service areas would require an amendment to the program's statute.

Transfer students, particularly those from community colleges, find it difficult to secure upper division enrollment opportunities within the state. Public and private university enrollment spaces are particularly constrained in western Washington. While there appears to be less pressure on enrollments within eastern Washington institutions, it may cost students more to relocate to those institutions, particularly those who need money for room and board as a consequence of their relocation.

Inadequate financial aid is reportedly a barrier to students who can find access to baccalaureate level instruction only if they relocate. A grant of $2,500 per year, awarded to otherwise eligible students, could potentially enable an increased number of community college transfer students to secure access to an institution with existing capacity, even if it meant geographic relocation. Removing the requirement that a student reside within a branch campus service area to be eligible for the grant would authorize equally placebound individuals to apply.

The draft report recommended that the Board seek legislation to expand EOG program eligibility to incorporate otherwise eligible students living outside branch campus service areas. Support for this recommendation was expressed at one of the public hearings. In addition, testimony was offered requesting that EOG recipients be permitted to use their grants to attend a branch campus.

A comprehensive review of the EOG program is scheduled for completion later this year. The final recommendation proposes that consideration of modifications to the EOG program be incorporated into that review.

***Recommendation #11**: The Board should consider the desirability of expanding the Educational Opportunity Grant program to encompass otherwise eligible students living outside branch campus service areas and the desirability of extending eligibility for EOG awards for students attending branch campuses as a part of its comprehensive review of the program, scheduled for completion later in 1993.*

Chapter Five

Funding - Ensuring Access and Measuring Effort

State Financial Aid Program Funding History

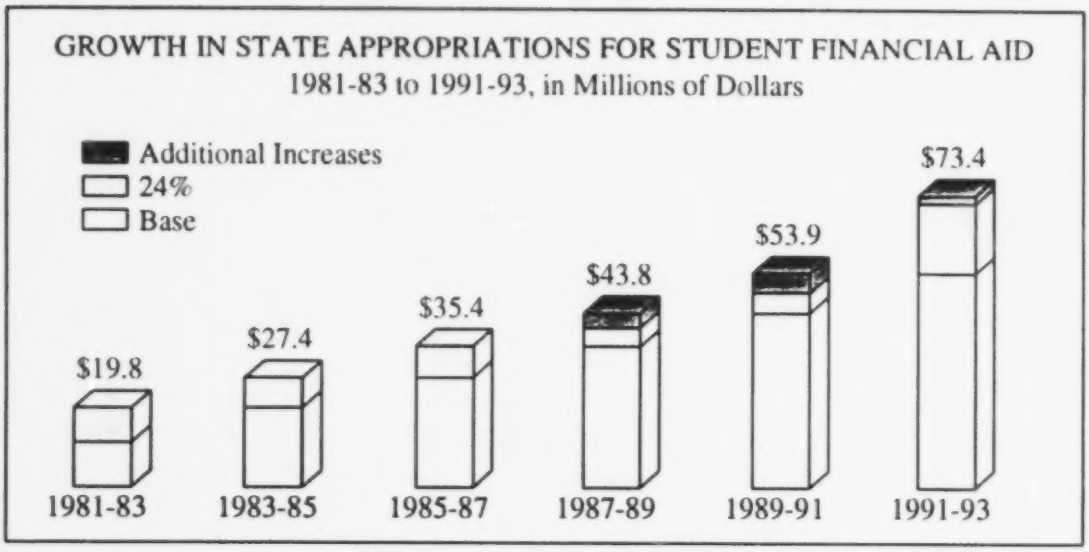
Increases in the cost of attending a postsecondary institution, as well as growth in the number of individuals who require financial assistance in order to attend, create additional need for financial aid. State appropriations for student financial aid have grown steadily over the past several biennia, evidencing a commitment on the part of the Legislature to ensure equitable access to postsecondary education amidst rising educational costs, and other competing state priorities.

The "24 Percent" Formula: In 1976, the Legislature recognized the need for increased state student aid to offset the impact of tuition increases on low income students, and placed the following intent statement in statute (RCW 28B.15.065):

> Adjustment of state appropriations for needy student financial aid. It is the intent of the legislature that needy students not be deprived of access to higher education due to increases in educational costs or consequent increases in tuition and fees. It is the sense of the legislature that state appropriations for student financial aid be adjusted in an amount which together with funds estimated to be available in the form of basic educational opportunity grants as authorized under Section 411 of the federal Higher Education Act of 1975 as now or hereafter amended will equal twenty-four percent of any change in revenue estimated to occur as a result of revisions in tuition and fee levels under the provisions of this 1977 amendatory act.

The 24 percent offset expressed in the formula represented the percentage of full time *needy* students in 1976 relative to the number of all full time students enrolled that year in state higher education institutions. For each dollar increase in tuition, it was assumed there would be a corresponding need for twenty-four cents in aid funds above previous levels to ensure continued access to higher education for students with financial need. Each succeeding Legislature has honored this intent, contributing to significant state aid program growth.

As illustrated below, much of the growth in financial aid appropriations in recent years has come from application of the 24 percent formula.



This funding model offers distinct advantages and disadvantages. The primary advantage of the formula has been the stability and predictability in student aid program growth which has resulted from legislative adherence to this statutory intent language. During years of budget pressures and significant tuition increases, student aid programs grew more than they might have without such language in the law.

The 24 percent formula also has disadvantages. First, it is non-binding, arising only from intent language. The percentage relationship is static, reflecting enrollment patterns and socioeconomic mix of the student population 15 years ago. If the formula were updated to reflect the current population of needy, public institution, full time students relative to the total full time enrollment, the percentage would be over 40 percent. The formula also fails to consider increases in other non-tuition costs, including room and board, books and supplies, etc. While the formula from its inception was intended to mitigate the impact of rising tuition charges (and has done so), during many years the formula has generated the sum total of all state program increases. Other increased costs have had to be covered by growth in federal funds, generally loans.

Another significant disadvantage is the perception of many that funding for the additional financial aid which results from the 24 percent formula is assessed directly from tuition increases. Although the 24 percent relationship is only a theoretical construct which functions as a measure of new need, and increases in financial aid are separately appropriated from the general fund, those who hold this view believe that public school students are paying for a share of the aid awarded to students attending independent and proprietary institutions through their higher tuition charges.

Despite the formula's deficiencies, it has played an important role in gradually strengthening appropriations for a statewide program of student financial aid. When the issue was last studied by the HECB in 1988, the Board concluded that, in spite of its flaws, the formula relationship should be retained as a mechanism for linking increased costs and the need for additional financial aid, given the legislative adherence to it and the resulting growth in state aid funds.

Funding Models

Apart from the political process, the means by which states determine financial aid program funding tend to cluster into four different approaches. A *model* may be crafted to determine the level of needed appropriations. For example, a state could decide, as a matter of policy, that it wanted student loans to comprise a fixed portion of a student's financial aid package, with the remainder made up of grants and work. Therefore, the amount of aid needed and the mix of program funds would follow.

As another approach, *peer comparisons* may be drawn, with requested funding levels reflecting an adopted relationship to funding levels among peer states. Another approach is that of *formula funding*, indirectly defining need by the parameters of the formula. (The 24 percent formula is an example.) A fourth approach bases funding on an *objective measure* of need, using actual population data, knowledge of existing service levels and identified need. There are flaws inherent in each of these methods, but each is useful as part of a complete approach.

Several variables condition the level of state support for student financial aid, e.g., the mix of public and private college enrollments; demographic mix; the percentage of people in poverty; per capita income; and a state's policy toward providing tuition assistance grants to students attending independent colleges. The 1988 Financial Aid Policy Study concluded that, while peer analysis is interesting and useful, it should not be substituted for development of sound student financial aid budget policy. Washington's student characteristics, number of needy students, and state goals may differ significantly from those of other states. To the extent that these variations occur, funding above or below an established peer average may be appropriate. However, as a general proposition, the Board concluded that the state should aim for the same overall goals (relative strength) in the area of financial aid as it would for other components of the state's higher education system.

Objective Measure of Need: Recently, there has been renewed interest in funding student aid programs on the basis of documented financial need. This measure offers the advantage of recognizing the total cost of attendance as well as the need of individuals who expressed interest in pursuing postsecondary education but did not enroll. HECB staff are in the process of conducting such a study.

Other Alternatives

Another approach for funding state student financial aid programs would establish a goal to fund student aid as a percentage of higher education appropriations. Yet another would index increases in state appropriations to cost increases for the percentage of enrolled students whose family incomes are at or below a specified percentage of the state's median income, adjusted for family size.

Washington has, over the years, aligned its student aid policy with its tuition policy much more closely than have other states. While authors of higher education financing articles encourage such integration, it is nowhere else apparent. Ironically, Washington policymakers find themselves questioning continuation of the "24 percent formula" precisely when the number of low income students is increasing and when the state is considering tuition increases.

Recommendation #12: *The Board recommends retaining in principle and statutory expression the existing mechanism linking student-experienced increases in the cost of attendance and formula funding for student financial aid, but recommends that the 24 percent relationship expressed in law be updated to 40 percent, reflecting the population of currently-enrolled needy students. In addition, the Board directs staff to complete its study and report the financial need of individuals who expressed interest in pursuing postsecondary education but did not enroll.*

Chapter Six

Preparation and Partnerships

In the *1992 Update of the Master Plan for Higher Education*, the HECB declared its support for efforts to increase access for economically disadvantaged students and improve the recruitment, retention, and success in all levels of postsecondary education of students of color and students with disabilities.

As a part of those efforts, the HECB urged creation of a program to ensure timely dissemination of information to prospective students to help reduce barriers to the state's colleges and universities. The Board recognized that, in spite of the collective efforts of the federal government, states, colleges and the public schools, disparities persist in educational attainment between young adults from low and high family income backgrounds. The state's practice of capping enrollments could make it increasingly difficult for low income students to gain access to postsecondary education since first generation and low income students, many of whom are minorities, are generally less well academically prepared, tend to apply later and need more financial aid.

The Importance of Academic Preparedness

A first concern in securing equal opportunity for low income and minority students is to ensure their academic preparation. Academic preparation has been identified as the central barrier to minority and disadvantaged student participation and achievement in postsecondary education. If students are not academically prepared for college they will not gain access, particularly when enrollments are capped.

Getting good grades and enrolling in college preparatory courses, the basis of academic preparation for college, usually happen only when a student aspires to attend college. Since college preparatory courses start in ninth grade or earlier, and good academic preparation is usually needed to succeed in these courses, a student may need to start planning to go to college as early as elementary school.

College aspirations are more difficult to shape among students from disadvantaged and low income families. Poor students come from families which must focus on the basic necessities of life; education takes a back seat to other concerns. Exposure to college education also varies according to household makeup and the family's income level. Poor students have limited exposure to formal education; their parents are not likely to have participated in higher education. For these students, information about the value of postsecondary education and the

availability of financial assistance is particularly important. They must receive this information early enough to influence their academic preparation.

Outreach

High schools have traditionally alerted promising students from low income or disadvantaged backgrounds to postsecondary education opportunities. However, resources in the public school system for ensuring this message is delivered and received are increasingly limited by other responsibilities. In addition, a comprehensive source of information is needed for out-of-school youth and adults. To supplement and support the efforts of the schools and other agencies and organizations which provide information about postsecondary education, several new models of outreach are being developed around the nation.

A Successful Model for Outreach: One successful outreach effort is the Boston Higher Education Information Center, located in the Boston Public Library. The Center offers free information and advice on higher education, financial aid and career choices to any interested party. The Center maintains a broad selection of resource materials, including school and financial aid directories, college catalogs and career planning materials for over 1,000 occupations. Through the use of both volunteers and paid professional staff, the Center provides one-on-one counseling for students and their parents on how to explore careers, choose schools, find financial aid resources, and complete the forms necessary for both financial aid and admission. In addition to reaching the urban population in the downtown site, the Center also orchestrates several community outreach efforts, in collaboration with the common schools, colleges and universities, community organizations and business, to identify and motivate young people and adults throughout the region who might otherwise not consider higher education an option.

Forty percent of the Center's visitors responding to a survey said they would not have applied for financial aid without the Center's assistance; 66 percent of those who applied for financial aid secured it. Forty one percent of eighth graders who participated in a study of the effectiveness of outreach programs plan to enroll in college prep courses, significantly more than their peers.

The HECB's Role in Outreach: The HECB believes that achieving equal educational opportunity for low income and minority students, as well as for out-of-school youth and adults, is of fundamental importance to society. The state, through coordinated efforts with institutions, must ensure that increasing numbers of low income and minority students complete high school and prepare academically for postsecondary education in furtherance of the Board's minority access goals as set forth in the *1991 Policy on Minority Participation and Diversity.*

The Board's *1992 Update of the Master Plan* endorsed an initiative to develop and help fund a partnership among the community college sector, four-year institutions, the Workforce Training and Education Coordinating Board, the OSPI, the Washington Council on High School-

College Relations, and the business community to develop a program of career and educational counseling for pre-high school students and their parents. In addition, out-of-school youth and adults need access to information regarding career planning, educational offerings, and the availability of financial aid.

Washington needs a resource center at a central site or sites where prospective students can access available materials on career options, college programs, entrance requirements, and financial aid opportunities which could encourage them to consider higher education.

Recommendation #13: *The Higher Education Coordinating Board, in partnership with other interested agencies, will seek legislative authorization and funding to develop an outreach center similar in concept to the successful Higher Education Information Center in Boston.*

Early Intervention Scholarship Program

Several states have recently established early intervention scholarships. Generally, these programs "guarantee" low income students who obtain a high school diploma the financial opportunity to pursue postsecondary education.

In the Reauthorization of the Higher Education Act, Congress authorized, but did not fund, a National Early Intervention Scholarship and Partnership Program. It is possible, however, that the program could be financed through a fund transfer from another federal program.

As designed, the program would restrict federal scholarships to students who participate in an early intervention program. Further, grants may be restricted to students who take prescribed academic courses and maintain satisfactory academic progress. Grants to students must equal at least 75 percent of the cost of in-state tuition at a public university. Recipients must be under the age of 22, have a high school diploma or equivalency certificate, and be a participant in an early intervention program.

Recommendation #14: *The Higher Education Coordinating Board authorizes staff, within existing appropriations and statutory authority, to develop an Early Intervention Scholarship program parallel to the Federal Early Intervention Scholarship and Partnership program, and to apply for federal funding if and when it becomes available.*

Early Intervention: Saving for College by Earning Service Credits

Jules Sugarman, former Secretary of the state's Department of Social and Health Services, in a speech before the National Association of Student Employment Administrators in October 1987, inspired staff to conceptualize a demonstration project intended to encourage young people to save for college by earning "service credits," through volunteer activities in participating social service agencies.

High school students from low income families, who for financial reasons may not normally aspire to attend college, could earn service credits toward college costs through volunteer work in designated community and social service agencies. The earned service credits, subsidized in some manner by the state, would be redeemable for tuition and fees and other costs of attendance at a participating in-state college or university.

The student's family, friends, or other sponsors could also volunteer in these same public agencies and contribute their service credits to the student's account. Depending upon the number of service credits earned by a student and his or her supporters, the student could pay for all or a large portion of college costs. Coupled with access to available financial aid, such a student could afford to complete the college degree of his or her choice.

Recommendation #15: *The Higher Education Coordinating Board authorizes staff to develop and, if appropriate, seek legislative sponsorship for an Early Intervention Service Credit demonstration project through which students and sponsors could earn service credits toward college costs by performing volunteer work in participating social service agencies. These state subsidized credits would be redeemable at Washington institutions of postsecondary education.*

Chapter Seven

Academic Persistence and Student Success

Introduction

Research consistently concludes that student aid has a positive influence on student decisions to attend college and upon student choice of institutions. As one author states:

> Now we must turn to the issue of outcomes of college attendance. Unless the students who make their way into our colleges and universities persist and complete their programs, all efforts for access and equity are hollow. The research indicates quite clearly that low income and minority students do not persist and complete at the same rate as students from the Anglo community ... Therefore, our focus is on what policymakers can do to develop support for equitable outcomes.[20]

What is the role of student financial aid in enhancing student persistence, and what mix of state financial aid programs will improve the retention or persistence of academically motivated disadvantaged students to graduation?

The Effect of Aid on Persistence: Adequacy and Type

Evidence supports the assertion that student aid positively affects student persistence and that various types and combinations of aid can enhance that general effect. Studies demonstrate that adequate financial aid reduces the risk of dropout among low income students to nearly the same levels as those of middle and higher income students. Although financial aid alone does not assure degree completion, an adequate amount of financial assistance available through an appropriate mix of programs, is essential to equal opportunity for both access and persistence for low income students.

The way in which student financial aid is "packaged" (combined by type of aid) also has the potential to increase student persistence and, ultimately, degree completion. Various aid types have differing effects on low income students, minority students, students by class level, and upon students as they progress within-year and from year to year.

Scholarships and grants have been demonstrated to have the largest positive effect in promoting access for the historically disadvantaged --- the population served by the State Need Grant program. Grants are the most effective source of aid for enrollment and persistence,

especially if they: (1) are renewable throughout the student's undergraduate work and (2) provide significant (approximately half of the student's cost of attendance) amounts of money.

Work study programs also have a positive influence on persistence. Research indicates that students who work a reasonable number of hours while in school tend to perform better academically and persist at a higher rate than students who do not work. Student financial aid packages which comprise all three types of aid (grants, work study, and loans) show the strongest positive correlation for student persistence.

Conversely, student concern about borrowing significant amounts of money influences negatively both access and persistence of minority and low income students. And loans, awarded as the sole source of aid, negatively impact both access and persistence for all types of students.

Yet loans now constitute the largest source of student financial aid available, both nationally and in Washington. The relative amount of grant and loan funds available in Washington has reversed over the past decade; in 1991-92, loans comprised 52 percent of all financial aid, grants 41 percent, and work study 7 percent.

Because low income students are price responsive to grants, but not to loans, the substitution of federal loan aid for grant aid during the 1980s is believed to have negatively influenced low income and minority student participation.

In order to increase the participation rate of needy and disadvantaged students in postsecondary education, adequate resources must be available through an appropriate mix of financial aid programs. Given the federal trend to increase funding for loan programs, the state will be challenged to respond to the need for additional grant and work study funding to ensure educational opportunity for the needy and disadvantaged.

Future Study: Current research indicates that the type of aid offered affects student persistence but the issue merits continued study. Several issues interrelate and need to be considered in total to better determine the magnitude and type of programs needed. Current interest in institutional performance measures, and new data provided through the Board's assessment efforts, also prompt the need for additional study on methods or programs to improve student persistence.

Such a study should consider at least the following questions:

- On what basis should the state expand funding for one financial aid program over another?

- Should a link be forged between financial aid programs and institutions' efforts to meet new performance measures, specifically concerning student persistence?

- Do the benefits of work support expansion of student work study aid programs?

- What array of programs and resources might better enable institutions to meet the unique needs of their students?

- What "packaging" policies most successfully enhance persistence for various cohorts of students?

- What institutional support services, such as advising, tutorial, and other instructional support and mentoring are needed to assure the success of students?

Recommendation #16: *The Higher Education Coordinating Board authorizes staff to undertake a study, in collaboration with institutions and students and their parents, to evaluate ways in which the availability and type of student financial aid affect the persistence of Washington students.*

Conclusion and Summary of Recommendations

Student financial aid is important to the citizens of the state. It supports participation in higher education for students who otherwise could not afford to attend. In turn, participation in higher education contributes to the development of human potential and furthers the productivity of the state.

Student financial aid is also an important consideration in the development of higher education policy. Revisions of policy in one area will certainly affect outcomes in another. Student aid policy is integral to the state's policies on admissions and retention, enrollment, and tuition pricing.

As state demographics change, so will the mix of Washington citizens pursuing postsecondary education. The state must be proactive in conveying to its citizens that higher education is an investment by society in itself, and that it is available to all who can benefit. Student financial aid programs are necessary to ensuring access for a growing number of students.

To the extent that state student financial aid programs replicate the past, without addressing the needs of the future, they must be reconfigured. Similarly, levels of funding must be sufficient to ensure that no student with ability is barred from higher education because he or she is without personal or family resources sufficient to pay for the cost of attendance.

It is in this context that the staff offer the preceding policy discussion and recommendations to the Board and other interested parties.

SUMMARY OF RECOMMENDATIONS

State Need Grant

Recommendation #1: Given that income alone can adequately describe the currently eligible State Need Grant population, the Board adopts an income cutoff of 65 percent of median family income as the standard for student eligibility in 1993-94, replacing reliance on federal need analysis criteria for computing State Need Grant program eligibility and grant amounts.

Recommendation #2: The Board reaffirms its current State Need Grant program policy of giving first priority to eligible low income students (up to 65 percent of median family income). Additional categories of eligible students will be incorporated only after funding for the previous priority has been appropriated.

The Board also recommends that: second priority be given to low income students with family incomes between 66 percent and 75 percent of the state median income; third priority be given to lower middle income students between 76 percent and 100 percent of the median; and fourth priority be given to upper middle income students between the median and 125 percent of the state median family income.

Recommendation #3: The Board reaffirms its policy to award variable State Need Grants, including higher awards to private college students, based on higher costs. The Board also retains use of the 1992-93 methodology for calculating the statutory ceiling in 1993-94 and subsequent years. This methodology employs use of the Washington Financial Aid Association maintenance budget, research university undergraduate tuition and fees, and the average state subsidy among all public sectors.

Recommendation #4: The Board reaffirms its current State Need Grant program policy which gives priority to undergraduate students within available funding, and continues to rely upon State Work Study, loan, scholarship, waiver, and assistantship programs to support graduate students.

Recommendation #5: The Board reaffirms its belief that needy students and the state are best served through the current administrative structure governing the State Need Grant program, which establishes student eligibility and grant amounts on a statewide basis and targets students with the greatest need, regardless of the institution they attend.

State Financial Aid for Students Attending Private Institutions

Recommendation #6: The Board reaffirms student financial aid policies which enable low and middle income students to access private institutions for reasons of enrollment opportunities, academic program, or geographic proximity.

Specifically, the Board reaffirms use of HECB-approved private college cost of attendance calculations for administration of state student financial aid programs where not otherwise prohibited by program statutes.

State Work Study

Recommendation #7: The Board retains its policy of serving both low and middle income students through the State Work Study program.

Recommendation #8: The Board will undertake a study of the State Work Study program by December, 1993, to ascertain the extent to which student work experience is academically or career related, and to identify ways in which this relationship can be strengthened.

Recommendation #9: The Board should modify State Work Study regulations, authorizing institutions the discretion to reduce the employer share for designated categories of off-campus community service agencies from the current 35 percent to no less than 20 percent. In addition, the Board should authorize the use of a limited amount of federal SSIG funds to provide all or a part of the employer match for community service organizations which cannot provide the required match but which offer exceptional placements. Finally, the Board should consider amending SWS regulations to permit institutions to use federal work study funds as the employer match for off-campus community service placements, under conditions to be specified by the Board.

Recommendation #10: The Higher Education Coordinating Board authorizes staff, through creative use of existing program statutes and administrative procedures, to pursue federal funding through community service program initiatives recently authorized by the 1992 Reauthorization of the Higher Education Act, and to include schools and colleges in these partnerships wherever possible.

Educational Opportunity Grant

Recommendation #11: The Board should consider the desirability of expanding the Educational Opportunity Grant program to encompass otherwise eligible students living outside branch campus service areas and the desirability of extending eligibility for EOG awards for students attending branch campuses as a part of its comprehensive review of the program, scheduled for completion later in 1993.

Funding

Recommendation #12: The Board recommends retaining in principle and statutory expression the existing mechanism linking student-experienced increases in the cost of attendance and formula funding for student financial aid, but recommends that the 24 percent relationship expressed in law be updated to 40 percent, reflecting the population of currently-enrolled needy students. In addition, the Board directs staff to complete its study and report the financial need of individuals who expressed interest in pursuing postsecondary education but did not enroll.

Outreach and Early Intervention

Recommendation #13: The Higher Education Coordinating Board, in partnership with other interested agencies, will seek legislative authorization and funding to develop an outreach center similar in concept to the successful Higher Education Information Center in Boston.

Recommendation #14: The Higher Education Coordinating Board authorizes staff, within existing appropriations and statutory authority, to develop an Early Intervention Scholarship program parallel to the Federal Early Intervention Scholarship and Partnership program, and to apply for federal funding if and when it becomes available.

Recommendation #15: The Higher Education Coordinating Board authorizes staff to develop and, if appropriate, seek legislative sponsorship for an Early Intervention Service Credit demonstration project through which students and sponsors could earn service credits toward college costs by performing volunteer work in participating social service agencies. These state subsidized credits would be redeemable at Washington institutions of postsecondary education.

Persistence

Recommendation #16: The Higher Education Coordinating Board authorizes staff to undertake a study, in collaboration with institutions and students and their parents, to evaluate ways in which the availability and type of student financial aid affect the persistence of Washington students.

Footnotes

Student Financial Aid Policy Study

1. American College Testing (ACT), "College Entrance Rates for Recent High School Graduates," *Financial Aid Research Briefs*, No. 5 (August 1990).

2. Edward P. St. John, "The Impact of Student Financial Aid: A Review of Recent Research," *The Journal of Student Financial Aid*, Vol. 21, No. 1 (Winter 1991), p. 26.

3. House Concurrent Resolution No. 32, Washington State House of Representatives, Fortieth Legislature, Passed by the House April 19, 1967; Adopted by the Senate April 30, 1967. Contained in The Temporary Advisory Council on Public Higher Education's *Report on Higher Education in Washington*, January, 1969. "Note: The State does not administer a state guaranteed student loan program, as the original 1967 study resolution suggested, since subsequent Supreme Court decisions have either limited or precluded such efforts."

4. The Temporary Advisory Council on Public Higher Education, *Report on Higher Education in Washington*, January 1969. The Council was initially created during the Extraordinary Session of the 1965 Legislature in recognition of the need for an independent organ to advise the Legislature and the Governor on the issue of the necessity for an additional institution or institutions to meet the increasing demands for higher education within the state. In 1967, the Council was also assigned responsibility, through House Concurrent Resolution No. 32, to study the desirability and feasibility of establishing a state program for awarding student aid. Its report was forwarded to the 1969 legislature.

5. The College Board, *Meeting College Costs*, College Scholarship Service, New York, (1991).

6. Gallup Organization, for the Council for Advancement and Support of Education (CASE) for National Higher Education Week, 1990, "Attitudes About American Colleges 1990," (October 1990).

7. Gallup Organization, for the Council for Advancement and Support of Education (CASE) for National Higher Education Week, 1991, "Attitudes About American Colleges 1991," (October 1991).

8. "Americans and Their Money," *Money Magazine*, as reported in "Worries About Financing Educational College," by Tom Mortenson for the American College Testing Program, July, 1989.

9. Thomas Exter, "Who Pays for College," *American Demographics*, February, 1990, p.6. Source: Bureau of Labor Statistics, Consumer Expenditure Survey, 1987.

10. Larry Gladieux and Laura Green Knapp, "Trends in Student Aid: 1982 to 1992," September, 1992. Table 4 - "Cost of Attendance and Income 1982-83 to 1991-92," p. 7.

11. Ibid., p. 3.

12. American College Testing (ACT), "Academic Preparation for College by Family Income Background," *Financial Aid Research Briefs*, Iowa City, Iowa, No. 7, (November 1990).

13. American Council on Education, *Campus Trends, 1992*, as reported in "Impact of Financial Pressures on Colleges, Universities," *Education Daily*, (August 1992).

14. James C. Hearn and David Longanecker, "Enrollment Effects of Alternative Postsecondary Pricing Policies," *Journal of Higher Education*, Vol. 56, No. 5, Ohio State University Press, (September/October 1985), p. 486.

15. Tom Mortenson, "A Lesson in How Not to Foster Education Opportunity: The Massachusetts Massacre of 1991," *Postsecondary Education Opportunity*, Iowa City, Iowa, No. 3, (May 1992), p. 7.

16. The Temporary Advisory Council on Public Higher Education, *"Report on Higher Education in Washington*, January 1969, cited above, "Chapter II: Private Higher Education."

17. Ibid., pp. 6, 7.

18. The Association of Independent California Colleges and Universities, Independent Solution Project, "Toward an Independent Solution: New Student Aid Resources for Independent Colleges," (May 1991), p. 11.

19. Carnegie Council on Policy Studies in Higher Education, *Next Steps for the 1980s in Student Financial Aid: A Fourth Alternative*, Jossey-Bass, (1979), p. 202.

20. Oscar F. Porter, "Where Do We Go From Here: Looking Beyond Student Aid and Access to Persistence," *The Changing Dimensions of Student Aid*, Jossey-Bass, No. 74, (Summer 1991), p. 75.

21. Patrick M. Callan and Diane Kyker Yavorsky, "Sending the Right Signals: Using State Influence To Increase Minority Degree Achievement," *A Crucial Agenda: Making Colleges and Universities Work Better for Minority Students*, Western Interstate Commission for Higher Education, Boulder, Colorado, (July 1989), p. 66.

Appendices

APPENDIX A

RICHARD R. SONSTELIE
Chair

ELSON S. FLOYD
Executive Director

STATE OF WASHINGTON
HIGHER EDUCATION COORDINATING BOARD
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STUDENT AID POLICY STUDY
Higher Education Coordinating Board
1992

Challenge

The benefits of an educated citizenry, to society and to individuals themselves, are widely recognized. For individuals without adequate financial resources, some form of governmental assistance is necessary in order to ensure access to higher education and training opportunities. Demographers forecast a significant increase, over the next several years, in the number of the state's population living in poverty. At the same time, moderate income families are finding it increasingly difficult to afford the rising cost of higher education.

Higher education provides the critical link to employment and career opportunities. As the state plans for enrollments and educational offerings for the next twenty years, so must it plan for the affordability of a college education for low and middle income individuals. Access to higher education is a matter of equity -- and, for the needy, financial assistance is critical to access.

Charge

The Higher Education Coordinating Board identified equitable access to higher education as one of five issues to be addressed in the 1992 update to the Master Plan for Higher Education. As the Plan emphasizes, it is important that qualified individuals not be denied access to higher education simply because of inability to pay.

To ensure that the state financial aid program is responsive to existing and emerging needs, the Board has directed staff to undertake a study of state financial aid policies and funding requirements. The study, as a follow-on to the Master Plan Update, will commence immediately and is scheduled to conclude by December, 1992. (A similar study was conducted in 1988 as a part of the last Master Plan update.)

Scope

The student aid policy study will examine the state's role in the delivery of student financial aid to current and projected populations, determine the amount of financial assistance needed, and review specific state aid program policies.

In particular, the study will:

- Analyze student financial aid as a means of fulfilling educational aspirations of Washington students and improving the general, social, cultural, and economic character of the state;
- Assess the degree to which existing student financial aid policies and delivery systems support goals for equitable access to higher education;
- Explore ways in which programs can effectively respond to changing demographics; and
- Determine the role of student aid policy in expanding access through enrollment opportunities provided at private institutions.

A list of specific issues to be included in the student aid policy study is attached.

Consultation/Advice

Various committees will be convened to guide the work of Board staff in conducting the Student Financial Aid Policy Study. A Policy Study Steering Committee will advise HECB staff on study scope, design and process; discuss study issues and options; and participate in the development of recommendations. In addition, a Student Advisory Committee will be convened to discuss study issues, options, and recommendations from a student perspective.

As appropriate, ad hoc committees will be appointed to discuss specific financial aid program issues. (For example, a committee will be convened to discuss issues related to job classification and compensation for SWS recipients working in positions at public institutions.) Standing advisory committees, including the State Work Study and State Need Grant Advisory Committees as well as topic-specific focus groups, will be convened to contribute to the study as appropriate.

In conducting the Student Aid Policy Study, Board staff will also seek informal consultation and advice from the following parties, and others as we are made aware of their interest.

Commission on Asian American Affairs
Council of Presidents
Department of Community Development
Department of Health
Department of Social and Health Services
Displaced Homemaker Program
Employment Security
Governor's Committee on Disability Issues & Employment
Governor's Office
Governor's Office of Indian Affairs
Greater Seattle Chamber of Commerce (Education Committee)
Helping Ourselves Means Education (HOME)
HECB Board Members
HECB Committee on Diversity & Minority Representation
HECB Staff Members
Higher Education Institution Administrators (Presidents, Financial Aid Administrators, & Student Employment Coordinators)
Indian Tribal Councils
Legislative Committee Staff (Selected)
Legislators (Selected)
Northwest Education Loan Association
Office of Financial Management
Office of Community Health
State Board for Community & Technical Colleges
Student Organizations/Associated Student Body Leadership
Superintendent of Public Instruction's Office
U. S. Department of Education
Upward Bound
Washington Association of Principals
Washington Council on High School/ College Relations
Washington Education Association
Washington Federation of State Employees
Washington Federation of Teachers
Washington Financial Aid Association
Washington Friends of Higher Education
Washington Roundtable
Washington State Commission on African American Affairs
Washington State Commission on Hispanic Affairs
Washington State Labor Council
Washington Student Lobby
Workforce Training & Education Coordinating Board

Colloquium and Public Hearings

In addition to advice received from the various advisory committees and other interested individuals and organizations, the Board will elicit broad input by convening an issue-oriented colloquium. Tentatively scheduled for mid-October, the colloquium will provide opportunity for presentation and discussion of policy issues related to the study.

Following distribution of a draft report in November, the Board will convene public hearings to solicit comments and suggestions related to the Student Financial Aid Policy Study Report.

Timeline

July, 1992:

Issues identified
Study outline developed
Research/study underway
Letters to interested parties
Advisory committees established
Informal interviews with interested parties
Preliminary planning for colloquium
Unmet need study commenced - current applicant population
Staff report to Board

August, 1992:	Continued research/study Advisory committees convened Focus group meetings Planning for colloquium Write issue papers Staff report to Board
September, 1992:	Circulate issue papers for comment Advisory committee meetings Staff report to Board
October, 1992:	Colloquium Advisory committee meetings Write draft report Staff report to Board
November, 1992:	Advisory committee meetings Mail draft report to Board and interested parties Public hearings Staff report to HECB
December, 1992:	Final report prepared Advisory committee meetings as necessary Final staff report mailed to HECB and interested parties HECB action

Product

Following public input through advisory committee discussions, the colloquium, and responses to a draft report, a final Student Financial Aid Policy Study report will be prepared and subsequently adopted by the Board and distributed to interested parties.

Contact Person:

Shirley A. Ort
Higher Education Coordinating Board
(206) 753-3571; SCAN 234-3571

Attachment

HECB 07/30/1992

Student Financial Aid Policy Study 1992

Steering Committee

Monica Babine
Manager, External Development
US West

Edith Daniels, Director
Student Financial Aid
Wenatchee Valley College

Carl Donovan, President
Northwest Education Loan Association

Eric Godfrey, Assistant Vice President
& Director of Financial Aid
University of Washington

James Gorman, Director
Student Financial Aid
Lower Columbia College

Susan Shackette Howe, Director
Student Financial Aid
Eastern Washington University

David Irwin, President
Washington Friends of Higher Education

Mary James, Member
Higher Education Coordinating Board

Kay Lewis, President
Washington Financial Aid
Association
University of Washington

Alberta May, Assistant Director
Student Services & Special
Populations
State Board for Community &
Technical Colleges

Kathy Purcell, Assistant Principal
Nathan Hale High School

June Stacey-Clemons, Director
Student Financial Aid
North Seattle Community College

Terry Teale, Executive Director
Council of Presidents

Steve Thorndill, Director
Student Financial Aid
University of Puget Sound

Jim White, Director
Student Financial Aid
Seattle University

Brendan Williams
Washington Student Lobby

Student Financial Aid Policy Study 1992

Student Advisory Committee

Heather Burns
Seattle University

John Carswell
Seattle Central Community College

Jennifer Coombs
Washington State University

Caroleen Dineen
University of Washington

Joe Howard
Edmonds Community College

Lance Mansfield
Seattle Pacific University

Erin Middlewood
Western Washington University

Judy Nicastro
University of Washington

Mike Pendleton
Eastern Washington University

David Wells
South Puget Sound Community College/The Evergreen State College

Representatives to the Student Advisory Committee were selected by the various institutions and/or sectors to represent their student views.

State Work Study
Wage Rate Comparability Task Force
1992

Ken Berg, Director
Personnel Services
Eastern Washington University

Kate Bligh, Assistant Dean
Student Financial Services
Tacoma Community College

Liz Coveney, Assistant Director
Personnel Service for Employee Relations
University of Washington

Lola Finch, Interim Director
Student Financial Aid
Washington State University

Dorothy Gerard, Assistant Director
Compensation & Classification Division
Department of Personnel

Larry Goodman, Director
Personnel Board Activities
Washington Federation of
State Employees

James B. Gorman, Director
Student Financial Aid
Lower Columbia College

David Habura
Deputy Executive Director
State Board for Community
and Technical Colleges

Kelley Horsman
Student Employment Manager
Eastern Washington University

Larry Lael
Assistant Director for Personnel
State Board for Community
and Technical Colleges

Melaine Langi
Special Employee Supervisor
City of Seattle

Kathy Sahlhoff, Interim Director
Department of Student Financial Resources
Western Washington University

Teri Thompson, Manager
Classification/Compensation
Higher Education Personnel Board

Brendan Williams
Washington Study Lobby

State Need Grant Advisory Committee
1992-93

Gene Adams
Director of Student Financial
Aid Services
Whitman College

Mary Jane Baumgarten
Financial Aid Director
Perry Technical Institute

Eric Godfrey
Assistant Vice President &
Director of Financial Aid
University of Washington

David Lee
Financial Aid Director
Spokane Falls Community College

Kay Lewis, President
Washington Financial Aid Association
University of Washington

Kathy Sahlhoff
Interim Director
Department of Student Financial
Resources
Western Washington University

Karen Specht
Financial Aid Director
Clover Park Technical College

Kay Soltis
Financial Aid Director
Pacific Lutheran University

Steve Thorndill
Student Financial Aid Director
University of Puget Sound

Bob Walker
Assistant Dean of Financial Aid
Yakima Valley Community College

State Work Study Advisory Committee
1992-93

Gene Adams
Director of Student Financial
Aid Services
Whitman College

Janet Cantelon, Assistant Director
Student Financial Aid
University of Washington

Pat Erickson
Director of Financial Aid
Spokane Community College

Larry Goodman, Director
Personnel Board Activities
Washington Federation of
State Employees

Carla Lamka
Director of Financial Aid
Heritage College

Kay Lewis, President
Washington Financial Aid
Association
University of Washington

Claudia Martin
Financial Aid Director
Renton Technical College

Kim Smith, Director
Student Employment
University of Puget Sound

Deanna Thompson, Assistant
Director of Financial Aid for
Student Employment
Central Washington University

Gene Tyssen
Financial Aid Director
Columbia Basin College

APPENDIX B

November, 1992

Higher Education Coordinating Board

WASHINGTON STATE STUDENT FINANCIAL AID PROGRAMS

STATE NEED GRANT

This program was established in 1969 to assist low income Washington residents who attend participating institutions. Funding for the program is provided from two sources: state appropriations and matching monies from the federal government through the State Student Incentive Grant (SSIG) program.

In 1991-92, over 22,900 students received grants totaling about $22.6 million. The average grant was $986. Individual grants vary. Full-time and part-time students are eligible to apply. Students with dependents can receive a dependent care allowance.

STATE WORK STUDY

Established in 1974, this program provides financial assistance to needy part-time and full-time students by stimulating and promoting their part-time employment. An equally important goal is the relationship of that employment to the student's academic pursuits or career goals. Funding for the program is provided through state appropriation paired with an employer match.

In 1991-92, 8,348 students earned approximately $17.1 million (including the employer's share). The statewide master employer contract file lists 2,700 off-campus employers. Board staff processed nearly 28,000 timesheets generated by students attending private institutions in 1991-92. Public institutions process their own student timesheets.

COMMUNITY SERVICE INITIATIVES

During 1992-93, the Board is funding 12 innovative community service projects through a combination of federal SSIG dollars and SWS dollars. The projects provide comparative information regarding regular student placements, community service placements and evaluation data on job satisfaction, and the influence of community service on academic and career choice. Schools receiving community service grants include: Centralia College, Columbia Basin College, Eastern Washington University, Gonzaga University, North Seattle Community College, Saint Martin's College, Skagit Valley College, Spokane Community College, Tacoma Community College, Washington State University, Western Washington University, and Whitworth College.

In addition, the Board continues its support of the Summer Motivational and Academic Residential Training (SMART) program, the College Opportunities Mentorship Program (COMP), the Best SELF program, and individual student community service placements.

AID TO BLIND STUDENTS

This small grant program provides up to $200 per term to needy blind students. Recipients are reimbursed for special equipment, services, and books and supplies required because of their visual impairment.

FUTURE TEACHER CONDITIONAL SCHOLARSHIP

This is a state scholarship program established in 1987 to recruit as future teachers students who have distinguished themselves through outstanding academic achievement and students who can serve as role models for children, including those from targeted ethnic minorities. The $3,000 scholarships are renewable for up to five years and require a ten-year Washington public school teaching commitment or repayment of the scholarship plus interest. In 1992-93, 93 students are receiving awards.

PAUL DOUGLAS TEACHER SCHOLARSHIP

This is a federally-funded program providing renewable $5,000 scholarships awarded on the basis of academic merit and a commitment to the teaching profession. An eligible student must have graduated in the top ten percent of his or her high school class and intend to pursue a course leading to teacher certification. Recipients incur the responsibility to teach for two years for each year of scholarship assistance or repay the amount received plus interest. In 1992-93, 72 students are receiving awards.

HEALTH PROFESSIONAL LOAN REPAYMENT AND SCHOLARSHIP PROGRAM

The 1991 Legislature combined the current state-funded health related programs ***(Nurses Conditional Scholarship, Health Professional Loan Repayment, and Rural Physician, Pharmacist, and Midwife Scholarship)*** into a single program. The purpose of this program is to encourage eligible health care professionals to serve in shortage areas by providing financial support in the form of conditional scholarships to attend school or loan repayment if the participant renders health care service in medically underserved areas or professional shortage areas within Washington state for no less than three years and no more than five years.

Scholarship recipients receive payment from the program for the purpose of paying educational costs incurred while enrolled in a program of health professional training leading to licensure in Washington state. Recipients who do not provide service in a health professional shortage area in Washington state are required to repay the award plus interest.

Loan repayment participants receive payment from the program for the purpose of repaying educational loans secured while attending a program of health professional training leading to licensure in Washington state.

The annual award amount for each health care profession is based upon an assessment of reasonable annual eligible expenses and loan indebtedness incurred in training and education for each health care profession. Annual award amounts cannot exceed fifteen thousand dollars per year. Awards may be renewed for a period not to exceed five years for eligible participants who continue to meet all renewal criteria each year of the award.

(Continued on reverse side)

WASHINGTON SCHOLARS

This program was established to recognize and honor the accomplishments of three high school seniors from each legislative district; encourage and facilitate privately-funded scholarship awards; and to stimulate recruitment of outstanding students to Washington public and independent colleges and universities. High school principals nominate the top one percent of the graduating senior class based upon academic accomplishments, leadership, and community service.

Washington public colleges and universities may provide a four-year undergraduate tuition and fee waiver. Renewal each year is contingent upon maintaining a 3.30 GPA. Scholars attending Washington independent colleges and universities may receive a grant which must be matched on a dollar-for-dollar basis with either money or tuition and fee waiver by the institution. The maximum grant amount or waiver in 1992-93 is $2,253.

PAUL FOWLER SCHOLARSHIP

This is a privately-funded scholarship created to benefit high school seniors designated as Washington Scholars who "have demonstrated outstanding ability and willingness to work for an education." Awards are nonrenewable in the amount of $2,830.

AMERICAN INDIAN ENDOWED SCHOLARSHIP

The purpose of this program is to create an educational opportunity for American Indians to attend and graduate from higher education institutions in the state of Washington. The $250,000 state appropriation must be matched by an equal amount of non-state monies. The resulting combined fund will constitute a permanent endowment. The interest earnings from the endowment will be used each year to award scholarships to financially needy, resident American Indian students. It is projected that the first scholarship awards will be available in 1993.

WESTERN INTERSTATE COMMISSION FOR HIGHER EDUCATION STUDENT EXCHANGE (WICHE)

There are two exchange programs available to Washington residents. The Professional Student Exchange provides state support to optometry students enrolled out-of-state. Nineteen students will receive yearly support fees of $7,100 in 1992-93.

The WICHE Regional Graduate Exchange programs are distinctive master's and doctoral programs in which qualified residents may enroll at reduced tuition rates in out-of-state programs not offered in Washington State. The 13 participating states offer 125 programs at 35 graduate schools.

EDUCATIONAL OPPORTUNITY GRANT

The purpose of this grant program is to provide an incentive to eligible placebound financially needy students who have completed an Associate of Arts degree, or its equivalent, by enabling them to complete their upper-division study at eligible institutions which have existing enrollment capacity. A full-year grant award for 1992-93 is $2,500. For 1992-93, 446 students have been awarded grants.

CHRISTA MCAULIFFE AWARD FOR EXCELLENCE

This program provides academic grants to teachers, principals, and school district administrators in recognition of their leadership, contributions, and commitment to education.

The grant is to be used toward 45 quarter or 30 semester credits of coursework. The rate of reimbursement may not exceed the part-time graduate cost per credit at the University of Washington. Recipients taking courses at a participating Washington independent college or university may receive a state grant if the institution matches the state grant on a dollar-for-dollar basis, with either actual money or by waiver of fees.

1992-93 SFA Program Appropriations

SNG (Including SSIG)	$22,500,000*
SWS (Including SSIG)	12,270,000*
EOG	1,000,000
Future Teachers Scholarship	280,000
Paul Douglas Scholarship	292,000
American Indian Endowment	250,000
Health Prof. Loan Repay.	214,000*
Washington Scholars	190,000
Nurses Scholarship	185,000
WICHE	148,000
Christa McAuliffe	98,700
Rural Phys., Pharm., & Midwife	71,000
Paul Fowler Scholarship	28,000
Aid to Blind Students	1,400
Total	**$37,528,100**

*Includes federal matching monies.

STEVEN T. SEWARD
Chair

ANN DALEY
Executive Director

STATE OF WASHINGTON
HIGHER EDUCATION COORDINATING BOARD
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RESOLUTION NO. 93-5

WHEREAS, RCW 28B.80.360 assigns to the Higher Education Coordinating Board administrative authority for the state's student financial aid programs; and

WHEREAS, RCW 28B.10.804(2) states that the Higher Education Coordinating Board shall coordinate all existing programs of financial aid except those specifically dedicated to a participating institution by the donor; and

WHEREAS, RCW 28B.10.806 assigns to the Higher Education Coordinating Board the power and duty to conduct a full analysis of student financial aid as a means of fulfilling educational aspirations of students of the state of Washington, and improving the general, social, cultural, and economic character of the state; and to design a state program of student financial aid based on the data of the study; and

WHEREAS, The Higher Education Coordinating Board, on November 18, 1992, adopted the *1992 Update of the Master Plan for Higher Education*; and

WHEREAS, The *1992 Update of the Master Plan for Higher Education* identified equitable access to postsecondary education as one of the five critical challenges facing postsecondary education; and

WHEREAS, The Higher Education Coordinating Board has concluded a study, begun in July 1992, of student financial aid policies and funding requirements to ensure that the state's programs of student financial aid are responsive to existing and emerging needs;

NOW, THEREFORE, BE IT RESOLVED, That the Higher Education Coordinating Board hereby adopts the student financial aid policy study report, *A Commitment to Opportunity: Considerations for the 1990s* and the recommendations contained therein.

Adopted: March 11, 1993
Attest:

M. Lyle Jacobsen
Chair

Mary James
Mary James, Secretary

BEST COPY AVAILABLE